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

MARFRIG ALIMENTOS S.A.

INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9 (NINE) MONTH PERIOD ENDING 30 SEPTEMBER, 2010 AND INDEPENDENT AUDITORS' REVIEW REPORT

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

MARFRIG ALIMENTOS S.A.

INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 9 (NINE) MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

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

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of
Marfrig Alimentos S.A.
São Paulo – SP

1. We have performed a review of the accompanying individual and consolidated Quarterly Information (ITR) of Marfrig Alimentos S.A. (the "Company") and its controlled companies consisting of the balance sheet as of 30 September 2010, and the related statements of operations, changes in shareholders' equity, cash flows, notes and management report for the quarter then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management.

2. Our review was performed in accordance with specific standards established by IBRACON (Brazilian Institute of Independent Auditors) together with the CFC (Federal Association of Accountants), which consisted principally of: a) inquiry of and discussion with the managers responsible for the accounting, financial and operating areas as to the main criteria adopted in preparing the Quarterly Information and b) review of the information and subsequent events that have or may have material effects on the financial situation and operations of the Company and its controlled companies.

3. Based on our special review, we are not aware of any material modifications that should be made to the Quarterly Information referred to in paragraph 1 for it to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of Quarterly Information.

(Convenience translation into English from the original previously issued in Portuguese)
INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of
Marfrig Alimentos S.A.
São Paulo – SP

4. As mentioned in note 2, during 2009 various technical pronouncements, interpretations and guidelines issued by the Committee of Accounting Pronouncements effective for 2010 which changed Brazilian accounting practices. As allowed by CVM Resolution No. 603/09, the Company's management decided to present the Quarterly Information using Brazilian accounting practices adopted in Brazil until 31 December 2009, i.e. it did not apply these standards effective for 2010. As required by CVM Resolution No. 603/09, the Company disclosed this fact in note No. 2 to the Quarterly Information and the description of the main changes known so far that could have an impact on its year-end financial statements and the estimate of the possible effects on the controlling company's equity and income (loss) and an explanation of the reasons that prevent the presentation of an estimate of its possible effects on equity and income (loss) of controlled companies (consolidated), as required by the decision.

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

Ribeirão Preto, 12 November 2010

José Luiz Sanches
Engagement Partner
BDO Auditores Independentes

José Luiz de Souza Gurgel
Engagement Partner
BDO Auditores Independentes

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

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

EXHIBIT 1

MARFRIG ALIMENTOS S.A.

BALANCE SHEETS AS OF 30 SEPTEMBER 2010 AND 30 JUNE 2010
(In thousands of Brazilian reais)

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
ASSETS				
Current assets				
Cash and cash equivalents (note 4)	3,418,425	719,636	5,279,895	2,028,812
Trade accounts receivable - domestic (note 5)	536,459	428,700	1,023,643	866,022
Trade accounts receivable - foreign (note 5)	82,480	66,813	66,254	36,633
Inventories of goods and merchandise (note 6)	1,307,817	1,167,453	2,984,546	2,761,024
Recoverable taxes (note 7)	430,775	534,193	951,978	986,536
Deferred taxes (note 9)	19,468	19,468	87,103	39,133
Prepaid expenses	5,980	5,504	47,753	53,812
Notes receivable (note 8)	120,643	81,000	-	-
Other receivables	1,091	738	14,909	738
Total current assets	5,923,138	3,023,505	10,456,081	6,772,710
Non-current assets				
Long-term assets				
Financial investments (note 4.2)	189	386	1,483	2,252
Compulsory deposits	18,492	17,256	19,302	26,750
Notes receivable (note 8)	663,400	615,309	5,787	5,482
Deferred taxes (note 9)	214,862	232,804	509,011	515,774
Recoverable taxes (note 7)	529,940	290,845	1,012,227	756,438
Other receivables	4,409	4,550	35,758	69,480
	1,431,292	1,161,150	1,583,568	1,376,176
Investments (note 10)	3,822,595	3,919,250	1,111	1,152
Property, plant and equipment (note 11)	1,086,737	1,045,971	3,341,073	3,224,849
Intangible assets (note 12)	559,001	550,102	2,678,604	2,695,614
Deferred charges (note 13)	-	-	9,597	10,211
	5,468,333	5,515,323	6,030,385	5,931,826
Total noncurrent assets	6,899,625	6,676,473	7,613,953	7,308,002
Total assets	12,822,763	9,699,978	18,070,034	14,080,712

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
LIABILITIES				
Current liabilities				
Trade accounts payable	174,247	145,602	1,186,431	1,166,713
Accrued payroll and related charges (note 14)	122,840	104,235	426,845	378,167
Taxes payable (note 15)	20,389	19,655	126,826	174,845
Loans and financing (note 16)	1,393,525	1,352,809	2,111,861	2,078,856
Notes payable (note 18)	133,621	29,129	291,146	150,444
Lease payable (note 17)	48,749	49,003	62,267	62,959
Dividends payable (note 21f)	15,222	15,222	15,222	15,222
Interest on equity capital (note 21g)	146,059	146,059	146,059	146,059
Interest on debentures	62,135	-	62,135	-
Other payables	4,443	8,049	49,131	14,448
Total current liabilities	2,121,230	1,869,763	4,477,923	4,187,713
Non-current liabilities				
Loans and financing (note 16)	3,775,785	3,220,302	5,962,122	4,563,817
Taxes payable (note 15)	81,411	85,867	274,656	273,948
Deferred taxes (note 20)	34,315	34,988	89,781	93,039
Provisions for contingencies (note 19)	6,597	6,674	315,813	338,468
Lease payable (note 17)	34,233	46,205	53,583	68,434
Other	78,549	100,032	140,729	145,355
Total non-current liabilities	4,010,890	3,494,068	6,836,684	5,483,061
Minority interest	-	-	64,784	73,791
Shareholders' equity (note 21)				
Share capital	4,061,478	4,061,478	4,061,478	4,061,478
(-) Share issuance expenses	(74,960)	(74,931)	(74,960)	(74,931)
Capital reserve	2,487,671	-	2,487,671	-
Debentures convertible into shares	2,500,000	-	2,500,000	-
Charges on the issue of convertible debentures	(12,329)	-	(12,329)	-
Income reserves	654,671	653,952	654,671	653,952
Statutory reserve	37,171	37,171	37,171	37,171
Retained earnings	624,992	624,992	624,992	624,992
Treasury shares	(7,492)	(8,211)	(7,492)	(8,211)
Asset and liability valuation adjustment	(575,889)	(478,722)	(575,889)	(478,722)
Accumulated translation adjustments	(455)	5,311	(455)	5,311
Retained earnings	138,127	169,059	138,127	169,059
	6,690,643	4,336,147	6,690,643	4,336,147
Total liabilities and shareholders' equity	12,822,763	9,699,978	18,070,034	14,080,712

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

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

EXHIBIT 2

MARFRIG ALIMENTOS S.A.

STATEMENT OF OPERATIONS FOR THE SIX-MONTH PERIODS ENDED 30 SEPTEMBER 2010 AND 2009
AND FOR THE THIRD QUARTER OF 2010 AND 2009
(In thousands of Brazilian reais, except data per share)

	Company				Consolidated			
	3rd quarter 2010	Accumulated 2010	3rd quarter 2009	Accumulated 2009	3rd quarter 2010	Accumulated 2010	3rd quarter 2009	Accumulated 2009
GROSS SALES	1,153,352	2,951,429	671,149	1,889,332	4,160,404	11,362,646	2,537,709	7,555,593
Domestic market	721,797	1,843,685	460,624	1,258,012	2,534,077	6,629,613	1,617,598	4,759,240
Foreign market	431,555	1,107,744	210,525	631,320	1,626,327	4,733,033	920,111	2,796,353
DEDUCTIONS FROM GROSS SALES	(87,873)	(167,044)	(38,397)	(143,372)	(305,313)	(726,398)	(135,109)	(498,127)
Sales taxes	(46,975)	(48,462)	(26,148)	(79,400)	(186,696)	(411,999)	(72,370)	(256,786)
Returns and discounts	(40,898)	(118,582)	(12,249)	(63,972)	(118,617)	(314,399)	(62,739)	(241,341)
NET SALES	1,065,479	2,784,385	632,752	1,745,960	3,855,091	10,636,248	2,402,600	7,057,466
Cost of goods sold	(790,406)	(2,125,928)	(461,633)	(1,286,748)	(3,195,985)	(8,704,314)	(2,034,771)	(6,052,044)
GROSS INCOME	275,073	658,457	171,119	459,212	659,106	1,931,934	367,829	1,005,422
OPERATING REVENUES (EXPENSES)	(286,726)	(581,719)	93,111	235,999	(712,324)	(2,070,395)	(92,896)	(318,339)
Commercial expenses	(76,173)	(186,679)	(42,349)	(119,642)	(378,630)	(997,078)	(160,626)	(470,876)
Administrative and general expenses	(35,781)	(90,681)	(26,525)	(66,686)	(115,969)	(326,844)	(75,566)	(214,456)
Equity in earnings (losses) of subsidiaries	(14,596)	274,448	66,728	96,347	-	-	-	-
Other operating revenues (expenses)	7,984	24,017	23,965	26,017	(6,657)	31,723	74,622	104,999
Financial income (loss)	(168,160)	(602,824)	71,292	299,963	(211,068)	(778,196)	68,674	261,994
Financial income	85,509	138,171	38,123	88,020	97,391	162,853	47,852	111,057
Exchange gain	103,168	115,877	166,483	614,309	179,804	208,915	188,872	697,400
Financial expenses	(350,138)	(627,824)	(128,619)	(350,520)	(433,638)	(834,529)	(167,445)	(459,784)
Exchange loss	(6,699)	(229,048)	(4,695)	(51,846)	(54,625)	(315,435)	(605)	(86,679)
OPERATING INCOME (LOSS)	(11,653)	76,738	264,230	695,211	(53,218)	(138,461)	274,933	687,083
INCOME (LOSS) BEFORE TAXES	(11,653)	76,738	264,230	695,211	(53,218)	(138,461)	274,933	687,083
PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES	(19,279)	61,389	(63,733)	(127,841)	28,768	273,620	(72,652)	(112,462)
Income tax	(12,699)	45,361	(46,834)	(88,857)	22,453	200,521	(54,413)	(84,827)
Social contribution tax	(6,580)	16,028	(16,899)	(38,984)	6,315	73,099	(18,239)	(27,635)
INCOME (LOSS) BEFORE MINORITY INTEREST	(30,932)	138,127	200,497	567,370	(24,450)	135,159	202,281	574,621
Minority interest	-	-	-	-	(6,482)	2,968	(1,784)	(7,251)
NET INCOME (LOSS)	(30,932)	138,127	200,497	567,370	(30,932)	138,127	200,497	567,370
EARNINGS PER THOUSAND SHARES	(89.15)	398.08	749.92	2,122.13	(89.15)	398.08	749.92	2,122.13

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

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

EXHIBIT 3

MARFRIG ALIMENTOS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of Brazilian reais)

	Share capital	Share issue expenses	Capital reserves	Income reserve	Asset and liability valuation adjustments	Cumulative translation adjustments	Retained earnings	Total
AS OF 30 JUNE 2010	4,061,478	(74,931)		653,952	(478,722)	5,311	169,059	4,336,147
Expenses on private issue of shares	-	(29)	-	-	-	-	-	(29)
Debentures convertible into shares	-	-	2,500,000	-	-	-	-	2,500,000
Charges on the issue of convertible debentures	-	-	(12,329)	-	-	-	-	(12,329)
Exchange rate gains (losses) on net investments	-	-	-	-	(97,167)	-	-	(97,167)
Exchange rate gains (losses) - conversion of the balance sheet	-	-	-	-	-	(5,766)	-	(5,766)
Write-off of treasury shares	-	-	-	719	-	-	-	719
Net loss for the period	-	-	-	-	-	-	(30,932)	(30,932)
AS OF 30 SEPTEMBER 2010	4,061,478	(74,960)	2,487,671	654,671	(575,889)	(455)	138,127	6,690,643

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

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

EXHIBIT 4

MARFRIG ALIMENTOS S.A.

STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2010 AND 2009
AND FOR THE QUARTER OF 2010 AND 2009
(In thousands of Brazilian reais)

	Company				Consolidated			
	3rd quarter 2010	Accumulated 2010	3rd quarter 2009	Accumulated 2009	3rd quarter 2010	Accumulated 2010	3rd quarter 2009	Accumulated 2009
Net income	(30,932)	138,127	200,497	567,370	(30,932)	138,127	200,497	567,370
Non-cash items	7,311	82,560	(75,477)	(284,290)	105,881	443,720	46,245	(42,243)
Depreciation	16,348	47,441	14,724	43,547	78,519	224,658	57,539	169,210
Amortisation	-	-	-	-	35,170	100,298	8,730	25,199
Minority interest	-	-	-	-	6,481	(2,968)	1,784	7,251
Provision for contingencies	(77)	39	-	-	(39,116)	(139,201)	7,497	20,773
Deferred taxes	17,269	(63,400)	58,124	109,714	(22,134)	(292,472)	58,905	73,274
Equity in earnings of subsidiaries	14,596	(274,448)	(66,728)	(96,347)	-	-	-	-
Exchange rate gains (losses) on financing	(329,320)	(113,858)	(160,359)	(590,535)	(315,591)	(70,904)	(186,335)	(675,293)
Exchange rate gains (losses) on other asset and liability accounts	6,509	687	(1,429)	28,072	(22,628)	(35,616)	(1,933)	64,571
Interest expense on financing debts	213,562	405,920	74,823	207,270	264,964	519,347	92,319	257,453
Interest expense on finance lease	6,374	18,548	5,238	15,057	6,759	19,503	6,616	16,983
Interest expense on debentures	62,135	62,135			62,135	62,135		
Write-off of property, plant and equipment	(85)	(504)	130	(1,068)	51,322	58,940	1,123	(1,664)
Changes in shareholders' equity	(363,072)	(802,703)	(239,496)	(834,432)	(406,541)	(703,136)	(216,903)	(524,972)
Trade accounts receivable	(123,427)	76,452	(93,653)	(177,835)	(162,103)	241,962	18,717	(2,366)
Inventories	(115,364)	(269,096)	(27,663)	(196,817)	(179,405)	(604,886)	2,182	(112,168)
Court deposits	(1,236)	(2,898)	712	587	7,447	5,678	232	(674)
Accrued payroll and related charges	18,605	52,696	(52,878)	(27,781)	72,328	178,108	(101,385)	(48,030)
Trade accounts payable	25,980	41,838	7,704	42,072	38,337	140,811	(57,575)	(2,470)
Taxes	(164,399)	(309,920)	(15,928)	(75,477)	(210,792)	(663,406)	(36,088)	(174,977)
Notes receivable and payable	(23,922)	(324,973)	(61,849)	(388,955)	4,055	70,406	(7,043)	(37,643)
Other asset and liability accounts	20,691	(66,802)	4,059	(10,226)	23,592	(71,809)	(35,943)	(146,644)
Net cash provided by (used in) operating activities	(386,693)	(582,016)	(114,476)	(551,352)	(331,592)	(121,289)	29,839	155
Cash flows from investing activities								
Investments	(1,677)	(1,368,864)	(4,521)	(23,212)	(67,366)	(679,480)	(3,452)	(190,417)
Investments in property, plant and equipment	(57,029)	(135,888)	(83,451)	(118,712)	(226,408)	(512,763)	(172,566)	(336,707)
Investments in intangible assets	(8,899)	(9,265)	(1,748)	(2,118)	(39,429)	(795,214)	(1,728)	(2,229)
Investments in deferred charges	-	-	-	-	-	-	(89)	(89)
Net cash used in investing activities	(67,605)	(1,514,017)	(89,720)	(144,042)	(333,203)	(1,987,457)	(177,835)	(529,442)
Cash flows from financing activities								
Loans and financing	683,327	448,845	342,842	886,190	1,467,432	1,940,369	179,522	849,040
Loans taken out by the Company	2,076,695	2,903,391	777,028	2,025,546	2,924,975	5,620,460	1,173,254	2,994,884
Loans repaid by the Company	(1,393,368)	(2,454,546)	(434,186)	(1,139,356)	(1,457,543)	(3,680,091)	(993,732)	(2,145,844)
Lease payable	(18,600)	(51,586)	(16,494)	(46,566)	(21,463)	(60,024)	(18,798)	(50,703)
New leases	400	1,189	40	420	7,155	5,095	7,006	11,954
Paid leases	(19,000)	(52,775)	(16,534)	(46,986)	(28,618)	(65,119)	(25,804)	(62,657)
Debentures	2,487,671	2,487,671	-	-	2,487,671	2,487,671	-	-
Treasury shares	718	3,160	104	104	718	3,160	104	104
Issuance of shares and share issuance expenses	(29)	(3,357)	-	-	(29)	(3,357)	-	-
				-				
Net cash provided by financing activities	3,153,087	2,884,733	326,452	839,728	3,934,329	4,367,819	160,828	798,441
Exchange rate gains (losses) on cash and cash equivalents	-	-	-	-	(18,451)	(12,615)	(20,113)	(63,729)
Cash flows in the period	2,698,789	788,700	122,256	144,334	3,251,083	2,246,458	(7,281)	205,425
Cash, bank accounts and short-term financial investments								
Ending balance	3,418,425	3,418,425	918,494	918,494	5,279,895	5,279,895	1,277,089	1,277,089
Beginning balance	719,636	2,629,725	796,238	774,160	2,028,812	3,033,437	1,284,370	1,071,664
Variation in the period	2,698,789	788,700	122,256	144,334	3,251,083	2,246,458	(7,281)	205,425

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

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

MARFRIG ALIMENTOS S.A.

NOTES TO THE INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER AND 30 JUNE 2010.
(In thousands of Brazilian reais)

1. OPERATIONS

Marfrig Frigoríficos e Comércio de Alimentos S.A. (the "Company"), is a publicly held company that carries out foodstuff production and meat packing activities consisting of cattle, pig, lamb and poultry slaughter; 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 6 June 2000 and became a corporation on 26 March 2007. The Company was registered with the Brazilian Securities and Exchange Commission (CVM) under No. 20.788 on 18 June 2007 and made its initial public offering (*IPO*) on 29 June 2007. Its shares were listed on the New Market of São Paulo Stock Exchange (BM&F Bovespa) under code No. MRFG3. On 28 April 2009 its corporate name was changed to Marfrig Alimentos S.A. As of 30 September 2010, its subscribed and paid-in capital stock consisted of 346,983,954 common shares, of which 150,903,836 shares or 43.49% are controlled by MMS Participações S.A. and 196,080,118 shares or 56.51% are outstanding free float shares in capital markets. MMS Participações S.A. is controlled by Marcos Antônio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, each holding a 50% ownership interest.

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

The Company's financial and equity position should be considered within the context of the integrated activities of the following divisions:

- Beef and Food Service Divisions – Brazil:

  - Marfrig Alimentos S.A. (Brazil) – made up of ten cattle slaughtering units, three beef processing units, one tannery, one factory which produces cleaning and hygiene products and four feedlots, located in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Mato Grosso and Rondônia, in addition to a Distribution Centre in the State of São Paulo;

- MFB Marfrig Frigoríficos Brasil S.A., current name of Frigoclass Alimentos S.A., consists of thirteen cattle slaughter facilities, one of them also used for the slaughtering of sheep, as well as two beef processing facilities, one of them located in the slaughter facility of Rio Verde – State of Goiás. Those facilities are in the States of São Paulo, Rio Grande do Sul, Goiás, Mato Grosso do Sul, Pará, Paraná and Rondônia;

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

- Marfrig Overseas Ltd (the Cayman Islands), company set up for raising funds abroad by issuing Notes - 100%.

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

- Nova Seara Division - Brazil:

- Seara Holding BV (Europe), which holds 100% of Seara Alimentos S.A. (Brazil) besides its affiliated companies in Europe and Asia.

- Secculum Participações Ltda. (Brazil) – 99% and União Frederiquense Participações Ltda. (Brazil) – 99.99%, (companies which together hold 100% of Frigorífico Mabella Ltda. (Brazil)). Mabella operates a pig slaughter facility in the State of Santa Catarina and one pig 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. – 94%;

  - Braslo Produtos de Carnes Ltda. – 100%;

  - MAS Frangos Participações Ltda. - 100%, which holds 100% of Agrofrango Indústria e Comércio de Alimentos Ltda.;

  - Penasul Alimentos Ltda. – 100%;

  Poultry operations consist of 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 Distrito Federal.

  - MBL Alimentos S.A. (Carroll's), company that is engaged in pig raising – 100%.

  The poultry and pig division produces and sells products under Pena Branca trademark, which belongs to Marfrig Alimentos S.A.

Brusand Ltd. (Bermuda) –holding company which is the owner of 100% of Penasul UK Ltd. (company located in England), which in turn is the owner of ten whole subsidiaries located in England – 100%.

- Argentine Division:

  - Argentine Breeders & Packers S.A. (Argentina), with three cattle slaughter facilities (including positions whereby it holds 100% of Best Beef S.A. companies. (Argentina), Estâncias del Sur S.A. (Argentina) and Mirab S.A. (Argentina and USA), producer and distributor of beef jerky in the US market and several other export destinations – 99.99%;

  - Quickfood S.A. (Argentina) is a publicly-held company, holder of PATY brand and a leader in the Argentine, Uruguayan and Chilean hamburger markets, with two slaughter facilities, three beef processing facilities and one frozen legumes and vegetables plant - 83.06%.

- Uruguay Division:

  - Frigorífico Tacuarembó S.A. (Uruguay), which operates a cattle slaughter and beef processing facility – 93.51%;

  - Inaler S.A. (Uruguay), a cattle and lamb slaughter facility – 100%;

  - Marfrig Chile S.A. (Chile), which operates a lamb packing plant in Patagonia and a meat deboning and trading facility, both in the Chilean market – 99.47%. Marfrig Chile took over Quinto Cuanto S.A. and PBP Chile Limitada, which were previously its subsidiaries;

  - Prestcott International S.A. (Uruguay), which holds 100% Cledinor S.A. (Uruguay), a beef and lamb packing facility in the city of Salto – 100%;

  - Establecimientos Colonia S.A. (Uruguay), a beef packing plant in the city of Colonia – 100%.

  - Columbus Netherlands B.V. (Uruguay), which holds 51% of Zenda Group (Uruguay), which in turn produces and sells finished and cut leather, besides its affiliated companies in Argentina, Mexico, United States, Germany, South Africa, Chile, Hong Kong and China.

- Europe Division:

- Weston Importers Ltd. (United Kingdom), *trading* which operates in the European market and holds 100% of CDB Meats Ltd (United Kingdom), a producer of processed meat. – 100%

- Marfrig Holdings (Europe) – B.V. (Netherlands) which 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%.

2. PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The individual (Company) and consolidated financial statements are expressed in thousands of Brazilian reais and were prepared in accordance with accounting practices adopted in Brazil, which are derived from the Corporate Law (Law 6.404/76), the pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC), approved and ratified by resolutions of the Brazilian Securities and Exchange Commission (CVM), and other pronouncements issued by that federal agency.

2.1. NEW LEGISLATION AND CHANGES IN BRAZILIAN ACCOUNTING PRACTICES AS FROM 1ST JANUARY 2008

In line with the changes brought about by Law No. 11.638/07 and Executive Act No. 449/08, which was subsequently converted into Law No. 11.941/09, the Federal Association of Accountants – CFC, together with the Committee of Accounting Pronouncements – CPC issued in 2008 Technical Pronouncements which changed some Brazilian accounting practices.

The purpose of these changes was to update Brazilian tax legislation to allow Brazilian accounting practices to be in line with international financial reporting standards (IFRS) and that new accounting standards and procedures were issued by regulatory agencies in accordance with international accounting standards.

2.2. ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CPCS) EFFECTIVE AS FROM 1 JANUARY 2010

In view of the process of aligning Brazilian accounting practices with the International Financial Reporting Standards (IFRS), throughout 2009 the Committee of Accounting Pronouncements issued new technical pronouncements, interpretations and orientations which apply to the years ended as from December 2010 and to the financial statement to be disclosed with those of 2010 for comparison purposes.

Based on CVM Resolution No. 603, of 10 November 2009, changed by CVM Resolution No. 626 of 31 March 2010 in CVM/SNC/SEP Circular Letter No. 01/2010, of 31 March 2010, and CFC Resolution No. 1.281, of 16 April 2010, the Company opted not to adopt the new technical pronouncements issued in 2009, preparing these financial statements according to the accounting practices effective as of 31 December 2009. These statements will be republished with adjustments generated by adopting the new standards at the presentation of the financial statement for the year ending 31 December 2010, in comparison with 31 December 2009.

2.3 ADJUSTMENTS ARISING FROM THE NEW TECHNICAL PRONOUNCEMENTS

In view of the changes introduced by the new technical pronouncements, interpretations, and guidelines, to be fully applied in the financial statements for the year ending 31 December 2010, the following adjustments were made in the statement of operations and shareholders' equity as of 30 September 2010 and 2009:

Effects in the period ended 30 September 2010	**Company**	
	Statement of operations	**Shareholders' equity**
Balances according to the practices in effect in 2009	**138,187**	**6,690,643**
CPC 29 - Biological assets and agricultural products	6,668	6,668
CPC 30 - Revenues	(20,856)	(20,856)
CPC 32 - Income taxes	5,567	5,567
New Pronouncements	**129,566**	**6,682,022**

The effects of these CPCs on controlled companies are being assessed and will be disclosed in 2010.

Effects in the period ended 30 September 2009	**Company**	
	Statement of operations	**Shareholders' equity**
Balances according to the practices in effect in 2009	**567,370**	**2,821,646**
CPC 29 - Biological assets and agricultural products	4,008	4,008
CPC 30 - Revenues	(11,898)	(11,898)
CPC 32 - Income taxes	(111,780)	(111,780)
New Pronouncements	**447,700**	**2,701,976**

The effects of these CPCs on controlled companies are being assessed and will be disclosed in 2010.

The Company's management is analysing the impacts arising from applying the technical pronouncements, interpretations and orientations issued by CPC, and sure enough the following may have effects on the financial statements ending 31 December 2010.

- CPC 15 - CVM Decision 580/09 – Business Combinations. It aims to improve the reliability and comparability of the information that the entity supplies in its financial statements referring to business combinations and their effects. Business combination is the alliance of a company and one or more incorporated or unincorporated businesses into a single accounting entity that then carries on the activities of the separate entities.

  As commented in note 10.2, the main acquisitions the Company carried out in the period ended 30 September 2010 are the following:

  - Seara Holding (Europe) B.V., which holds 100% of Seara Alimentos S.A. (Brazil) besides its affiliated companies in Europe and Asia.

  - Columbus Netherlands B.V. (Uruguay), which holds 51% of Zenda Group (Uruguay), which in turn produces and sells finished and cut leather, besides its affiliated companies in Argentina, Mexico, United States, Germany, South Africa, Chile, Hong Kong and China.

  - O'Kane Poutry Ltd, located in Ballymena, Northern Ireland. Acquired assets include an animal feed plant, incubators, poultry farms, poultry slaughter and processing facilities, as well as a research laboratory.

  The table below presents the main information on the abovementioned enterprises, which will be combined by the Company:

	Seara	Zenda Group	O'Kane
Purchase date	04.01.2010	22.01.2010	03.08.2010
Percentage of ownership interest	100%	51%	100%
Number of production plants	12	9	2
Amount paid in kind (millions of US$)	737.6	38.1	72.1
Debt assumption	193.8	-	-

  Considering such acquisitions, the Company's management is evaluating the effects of the business combination, which depend on internal analyses, in addition to reports of expert technical consultants to allow measuring the fair value of assets and liabilities and determining the goodwill that will be presented at the closing of the year 2010.

- CPC 20 – Resolution CVM 577/09 – Cost of loans**:** The pronouncement requires the Company to capitalize the costs of loans directly attributable to the acquisition, construction or production of its eligible assets (assets that take a considerable time to be concluded for use or sale, and which are stated in the account of construction in progress) as part of the cost of this asset.

- CPC 26 – Resolution CVM 595/09 – Presentation of the financial statements: The Pronouncement will be applied to present and disclose the financial statements as of 31 December 2010, compared with 2009 and will evidence the full adoption of all Pronouncements, Guidelines and Interpretations issued by CPC.

  The Company is analysing the impacts of the application of this CPC on its subsidiaries.

- CPC 27 - CVM Decision 583/09 – Property, plant and equipment. The purpose of this pronouncement is establishing the accounting treatment to be given to property, plant and equipment, so that users of the financial statements can obtain information on the investment of the entity in the assets and their changes. The main point of the practice change refers to depreciation. Assets have to be depreciated along their useful lives according to the depreciation method that best reflects the use of the future expected economic benefits of the asset.

  The Company is internally valuing the assets that compose property, plant and equipment, as well as relying on the work of specialised consultants, to determine depreciation rates that properly reflect the actual depreciation of assets. The adjustments will be presented in the financial statements of the year ended 31 December 2010.

  Moreover, as allowed by ICPC 10, exclusively on the transition date of the adoption of the International Financial Reporting Standards (IFRS), the Company and its controlled companies will assess the need of recording the deemed cost of assets of property, plant and equipment.

- CPC 29 - CVM Decision No. 596/09 - Biological assets and agricultural products. The purpose of this pronouncement is to establish the accounting treatment and respective disclosures related to biological assets and agricultural products. Biological asset is a live animal and/or plant, and agricultural production is the product obtained from the biological assets of the entity.

  The Company is analysing the impacts of the application of this CPC to its subsidiaries in relation to feedlot and agricultural production activities. The impacts on the controlling company’s financial statements are shown in the table above.

- CPC 30 – CVM Resolution No. 597/09 - Revenues – its purpose is to establish how to account for revenues earned on certain types of transactions and events, including the sales of goods, the rendering of services and the use by third parties of other assets of the entity which generate interest, royalties and dividends.

The Company is analysing the impacts of the application of this CPC on its subsidiaries. The impacts on the controlling company's financial statements are shown in the table above.

- CPC 32 - CVM Decision No. 599/09 – Income tax. The purpose of this pronouncement is to establish the accounting treatment for income taxation and mainly how to book the current and future tax effects of:

  a) future recovery (liquidation) of the book value of assets (liabilities) that are recognised in the entity's balance sheet and;

  b) current period's transactions and other events which are recognised in the company's financial statements.

  The Company is analysing the impacts of the application of this CPC on its subsidiaries. The impacts on the controlling company's financial statements are shown in the table above.

- CPC 38 – Resolution CVM 604/09 – Financial Instruments, Measurement and Recognition, CPC 39 – Financial Instruments, Presentation, CPC 40 – Financial Instruments, Disclosure and OCPC 03 – Circular Letter/CVM/SNC/SEP/No. 03/2009 – Financial Instruments: During 2008, the Company adopted all the requirements set forth by CPC 14 – Financial Instruments – Recognition, Measurement and Disclosure for the purpose of recognition, measurement, presentation and disclosure of all financial instruments entered into for the cover of risks from interest rates, exchange rates and cattle prices. Nevertheless, CPC 14 was revoked by the Committee of Accounting Pronouncements during 2009 and replaced by Technical Guideline OCPC 03 – Financial Instruments, used as technical reference by the Company on its financial statements as of 31 December 2009. In view of the characteristics of the financial instruments entered into, there will be no material impacts after the application of these pronouncements.

  The Company is analysing the impacts of the application of this CPC on its subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

3.1. SIGNIFICANT ACCOUNTING PRACTICES

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

a. Results of operations

Results of operations are recorded on the accrual basis.

b. Accounting estimates

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

c. Financial instruments

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

Non-derivative financial instruments are initially recognised at their fair values plus, for instruments which are not recognised at fair value in operations, any directly attributable transaction costs. After initial recognition, non-derivative financial instruments are measured according to their respective classification:

- Held-to-maturity

If the Company intends and is able to hold its debt instruments until maturity they are classified as held-to-maturity instruments. Held-to-maturity investments are stated at their amortised cost using the effective interest rate method, less possible impairment charges.

- Available for sale

The Company's investments in equity instruments and certain assets related to debt instruments are classified as available for sale. After initial recognition, they are stated at fair value and their fluctuations, except impairment charges, and the foreign currency differences of these instruments, are recognised directly in equity, net of tax effects. When an investment fails to be recognised, the gain or loss accumulated in equity is transferred to the statement of operations.

- Loans and receivables

non-derivative financial instruments with fixed or calculable payments that are not quoted on an active market.

- Valued at fair value in the statement of operations

An instrument is carried at fair value in the statement of operations if it is held for trading, i.e. classified as such upon initial recognition. Financial instruments are carried at fair value in the statement of operations if the Company manages these investments and takes purchasing and sales decisions according to their fair value and the investment and risk management strategy documented by the Company. After initial recognition, attributable transaction costs are recognised in the statement of operations when incurred. Financial instruments stated at fair value in the statement of operations are determined according to their fair value and their fluctuations are recognised in the statement of operations.

- Other

Other non-derivative financial instruments are stated at amortised cost using the effective interest rate method, adjusted for possible impairment charges.

d. Foreign currency

The Company's management established that its functional currency, as well as that of its subsidiaries, is the Brazilian real, according to the provisions of CPC Technical Pronouncement No. 02 – Effects on Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution No. 534/08. 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 No. 02.

Foreign currency transactions, i.e. all transactions not made in the functional currency, are translated using the exchange rate of the transaction date. Monetary assets and liabilities denominated in foreign currency are converted into the functional currency at the exchange rate of the fix date. Gains and losses on exchange rate variations of monetary assets and liabilities are recognised in the statement of operations. Non-monetary assets and liabilities acquired or entered into in foreign currency are translated using the exchange rates of the transaction dates or the dates at which they are stated at fair value when fair value is used.

e. Current and non-current assets

- Trade accounts receivable

Trade accounts receivable are recorded at the billed amount and when applicable, discounted to present value.

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

- Inventories

Inventories are stated at the average purchase or production cost, adjusted to market or realisable values.

- Investments

Investments in controlled and affiliated companies are valued by the equity method.

- 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 11 and take into consideration the estimated useful lives of assets and property lease terms with respect to leasehold improvements.

Finance charges on financing agreements entered into by the Company when property, plant and equipment items are being built are capitalised.

Investments in breeding stock (animals for reproduction) are booked in property, plant and equipment. Labour, feed and drug costs are recognised in property, plant and equipment during the formation period of breeding stock, which lasts approximately six months. After this period, the Company starts depreciating the cost based on the production cycle, considering the estimated number of eggs and offspring of approximately fifteen months for poultry, thirty months for pigs and between 6 and 7 years for cattle (cows).

Other expenses are capitalised only when the economic benefits of the property, plant and equipment item increase. Any other type of expense is recognised in the statement of operations as an expense when incurred.

- Lease

Finance lease

Certain lease agreements substantially transfer the risks and benefits pertaining to the property of an asset. These agreements are finance leases and are initially recognised as property, plant and equipment with an offsetting entry to liabilities at their present or fair values.

Operating lease

Certain agreements are classified as operating leases when the basic nature of the agreement does not comply with the finance lease requirements. Payments of these agreements are recognised as expenses in the statement of operations on a straight-line basis over the terms of the instruments.

- 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 exploration rights set forth on lease agreements and goodwill recovery estimated periods.

Intangible assets with indefinite useful lives and goodwill resulting from expected future profitability as from 1 January 2009 will not be amortised and will be annually tested for impairment.

- Deferred charges

In the periods ended 30 September 2010 and 30 June 2010 the Company incurred no pre-operating expenses.

The balance of deferred charges (Consolidated) will be maintained until its full amortisation, according to CVM Resolution No. 565/2008.

f. Impairment

Property, plant and equipment, intangible assets and deferred charges are tested for impairment at least annually, if events and circumstances have occurred that indicate possible impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually regardless of whether or not events and circumstances have occurred that indicate possible impairment.

g. 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.

h. 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 as probable, based on the best estimates of risks involved.

i. Share-based compensation plan

The effects of the share-based compensation plan are calculated at fair value and recognised in the balance sheet and the statement of operations as contract conditions are met and as commented in note 22.

j. 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 assets recognised for income and social contribution tax losses and temporary differences are recognised pursuant to tax legislation and CVM Instruction No. 371 of 27 June 2002. They take into consideration the Company's history of profitability and the expected generation of taxable income in the future supported by a technical feasibility study annually reviewed.

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

k. Earnings per share

Earnings per share are calculated according to the number of shares outstanding at the balance sheet date.

l. 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 discounted to present value, transaction by transaction, according to 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 term of the contract according to the amortised cost method and the effective interest rate.

Discounts to present value were determined using the average between the SELIC (Central Bank overnight rate) (established as the rate of return on equity capital) 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 9.60% p.a. as of 30 September 2010 (8.86% p.a. as of 30 June 2010).

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.

m. Share issuance expenses

In accordance with Technical Pronouncement CPC No. 8, approved by CVM Decision No. 556/2008, transaction costs incurred with the raising of funds through the issuance of securities should be separately booked in a valuation allowance which reduces shareholders' equity, less possible tax effects.

n. 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 22. Treasury shares are recorded in a separate account, and, for the purpose of balance sheet presentation, are deducted from the Income Reserve, whose balance was used in such operation.

o. Consolidation

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

Description of the main consolidation procedures:

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

3.2. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of the Company and its subsidiaries, as follows:

	Ownership interest percentage	
DIRECTLY-CONTROLLED COMPANIES	**30/09/10**	**30/06/10**
Argentine Breeders & Packers S.A	99.99%	99.99%
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	93.51%	93.45%
Weston Importers Ltd	100.00%	100.00%
Masplen Limited	100.00%	100.00%
Prestcott International S.A	100.00%	100.00%
Secculum Participações Ltda	99.00%	99.00%
União Frederiquense Partic. Ltda	99.99%	99.99%
QuickFood S.A	83.06%	81.48%
Establecimientos Colonia S.A	100.00%	100.00%
Marfrig Holdings (Europe) BV	100.00%	100.00%
Seara Holding (Europe) BV (1)	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%

(1) current name of CCKVL Holding BV

The financial statements of subsidiaries located abroad were originally prepared in local currency, according to the applicable laws of each country where the companies are located. They were reviewed by independent auditors, converted into the International Financial Reporting Standards - IFRS and expressed in US dollars (US$). Later, those financial statements were converted into Brazilian accounting practices and translated into Brazilian reais, according to the exchange rate of the balance sheet date.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the cash available in the Company, in banks, and as investments as follows:

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Cash and cash equivalents	1,342,050	138,942	2,299,778	408,481
Short-term investments	2,076,375	580,694	2,980,117	1,620,331
	3,418,425	719,636	5,279,895	2,028,812

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

	Brazil		Abroad	
	30/09/10	30/06/10	30/09/10	30/06/10
Cash and cash equivalents	86,389	26,356	871,339	243,182
Short-term investments	31,057	5,295	872,685	1,034,343
	117,446	31,651	1,744,024	1,277,525

The Company adopts the policy of presenting the following items in the breakdown of cash and cash equivalents:

- Balance available in cash;
- Demand bank deposits;
- Cash in transit;
- Short-term investments.

4.1. CASH AND CASH EQUIVALENTS PER CURRENCY

We present below the breakdown of cash and cash equivalent per currency:

	Company		Consolidated	
	30/09/2010	30/06/2010	30/09/2010	30/06/2010
Cash and banks:				
Reais	311,372	62,299	343,213	86,331
US dollars	1,030,678	76,643	1,784,220	180,322
Euros	-	-	24,667	40,381
British pounds	-	-	78,648	77,076
Other	-	-	69,030	24,371
	1,342,050	138,942	2,299,778	408,481

4.2. SHORT-TERM INVESTMENTS

The breakdown of the financial investments of the Company per type is the following:

					Company	
	Maturities	PMPV [(1)]	Currency	Average interest rate p.a%	30/09/2010	30/06/2010
Available for sale						
Bank deposit certificates - CDB (2)	29/10/10 - 17/09/2012	0.65	Real	10.65	936,749	480,085
Investment fund	30/10/2010	0,08	Real	10.40	1,069,940	-
Savings account (2)	30/10/2010	0,08	Real	6.42	72	43
Other (2)	30/10/2010	0,08	Real	-	1,240	430
					2,008,001	480,558
Loans and receivables						
Interest-bearing account	08/06/2014	3.25	US dollar	0.35	5,118	33,639
					5,118	33,639
Held to maturity						
Foreign credit note	08/01/2013	2.31	US dollar	0.35	56,312	59,878
Foreign credit note	04/09/2014	3.99	Euro	0.35	6,942	6,617
Prize-draw investment bonds	29/04/2014	3.63	Real	2.43	191	388
					63,445	66,883
Total					2,076,564	581,080
Total current					2,076,375	580,694
Total non-current					189	386

(1) Average weighted maturity in years.

(2) Transactions have daily liquidity and can be redeemed at any moment. The mentioned term is the maturity of the collateral.

The breakdown of the Company's consolidated short-term investments per type is the following:

	Maturities	PMPV [1]	Currency	Average interest rate p.a%	Consolidated 30/09/2010	Consolidated 30/06/2010
Available for sale						
Bank deposit certificates - CDB (2)	1/10/2010 - 17/09/2012	0.64	Real	10.45	964,441	480,995
Investment fund	30/10/2010	0.08	Real	10.40	1,069,940	-
Savings account (2)	30/10/2010	0.08	Real	6.42	72	43
Fixed income investment					-	58,576
Circular Letter 1456	01/10/2010 - 31/03/2011	0.35	US dollar	2.35	36,695	96,870
Other (2)	31/12/2010	0.25	US dollar	-	3,070	4,569
Other (2)	30/10/2010	0.08	Real	-	1,240	430
					2,075,458	641,483
Loans and receivables						
Interest-bearing account	31/12/2010 - 08/06/2014	1.25	US dollar	0.26	15,302	846,930
					15,302	846,930
Held to maturity						
Foreign credit note	31/12/2010 - 08/01/2013	1.23	US dollar	0.28	118,011	125,484
Foreign credit note	04/09/2014	3.99	Euro	0.35	6,942	6,617
Prize-draw investment bonds	30/06/2011 - 29/04/2014	1.43	Real	4.51	1,804	2,069
CLN	01/01/2013 - 31/12/2015	4.36	US dollar	8.00	764,083	-
					890,840	134,170
Total					2,981,600	1,622,583
Total current					2,980,117	1,620,331
Total non-current					1,483	2,252

(1) Average weighted maturity in years.

(2) Transactions have daily liquidity and can be redeemed at any moment. The mentioned term is the maturity of the collateral.

The Company's types of short-term investments can be described as follows:

CDB – Certificate of bank deposit

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

Repurchase and reserve repurchase agreement

Repurchase and reserve repurchase agreement are transactions denominated in reais and guaranteed by debentures that bear interest at the CDI (Interbank Deposit Rate), which ranges from 100% to 100.5%.

Investment fund - DI

This type of investment is made in Brazilian reais and bear interest at the CDI (Interbank Deposit Rate), which ranges from 99% to 100.5%.

CLN – Credit linked note

The credit-linked note transaction is conducted with a top financial institution abroad. This type of investment is denominated in US dollars and bear fixed interest rates.

Savings account

The remaining balances in current accounts, in reais, are automatically transferred to a savings account, and bear interest at financial market rates.

Fixed income investments

This type of investment is made in US dollars, and it does not bear interest. This is a specific transaction made in Uruguay.

Circular Letter No. 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 from 180 to 270 days before the export.

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.

Foreign Credit Note

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

Brazilian prize-draw investment bonds

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

5. TRADE ACCOUNTS RECEIVABLE – DOMESTIC AND FOREIGN CUSTOMERS

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Trade accounts receivable - domestic	538,833	430,572	1,026,033	868,944
(-) Discount to present value	(2,374)	(1,872)	(2,390)	(2,922)
	536,459	428,700	1,023,643	866,022
Trade accounts receivable - foreign	349,174	324,392	787,303	648,570
(-) Advances on export contracts - ACEs	(264,478)	(255,719)	(718,657)	(609,715)
(-) Discount to present value	(2,216)	(1,860)	(2,392)	(2,222)
	82,480	66,813	66,254	36,633
	618,939	495,513	1,089,897	902,655
Amounts not yet due	619,150	491,555	933,609	680,752
Amounts overdue				
From 1 to 30 days	3,568	6,971	104,466	181,566
From 31 to 60 days	785	239	28,823	26,445
From 61 to 90 days	26	480	15,265	11,261
More than 90 days	4,039	3,519	62,335	40,685
(-) Discount to present value	(4,590)	(3,732)	(4,782)	(5,144)
(-) Allowance for doubtful accounts	(4,039)	(3,519)	(49,819)	(32,910)
	618,939	495,513	1,089,897	902,655

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

The Company usually recognises a provision for notes overdue for more than 90 days, whose expectation of receipt is unlikely in consideration of the history of problems identified in receivables, as well as by analysing the current status of customers, which can be: in order, that is, the customer buys and pays within acceptable limits; a history of late payments; and status of debtor being reorganised or bankrupt.

The Company does not have a history of relevant problems with collection, and the accounts receivable department rates each customer during acceptance and credit granting.

For sales paid in instalments, the Company uses working capital financing lines available in 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 (l).

6. INVENTORIES OF GOODS AND MERCHANDISE

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Finished goods and other	1,277,426	1,136,820	2,825,862	2,571,064
Packaging material and storeroom supplies	30,391	30,633	158,684	189,960
	1,307,817	1,167,453	2,984,546	2,761,024

In the period ended 30 September 2010 and 30 June 2010, inventories of finished goods were carried out at average purchase and/or production cost, lower than realisation values, as explained in note 3 (e).

The subsidiaries' inventories are consolidated as follows:

	Brazil		Abroad	
	30/09/10	30/06/10	30/09/10	30/06/10
Finished goods and other	979,678	897,176	568,758	537,068
Packaging material and storeroom supplies	103,926	97,897	24,367	61,430
	1,083,604	995,073	593,125	598,498

7. RECOVERABLE TAXES

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
ICMS (State VAT)	289,203	274,718	529,734	426,578
IPI (Federal VAT) deemed credit	61,046	61,000	70,903	70,978
PIS (tax on sales) credit	83,785	79,383	205,769	195,014
COFINS (tax on sales) credit	386,882	319,819	888,688	810,309
Income tax	67,020	65,952	106,265	113,063
Social contribution tax	12,442	14,395	19,343	22,074
IRRF (withholding income tax)	50,654	9,418	51,981	11,073
IVA (value-added tax)	-	-	36,707	35,559
Export certificates	-	-	17,569	18,453
ONCCA credits	-		8,187	
Other	9,683	353	29,059	39,873
Total	960,715	825,038	1,964,205	1,742,974
Current assets	430,775	534,193	951,978	986,536
Non-current assets	529,940	290,845	1,012,227	756,438
Total	960,715	825,038	1,964,205	1,742,974

7.1. ICMS

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging, and other materials, in amounts higher than the debts generated from domestic sales, since foreign market sales are free from this tax. The balance also includes total balances of these credits resulting from companies acquired in the first quarter of 2010.

7.2. IPI DEEMED CREDIT

IPI deemed credit consists of the refund of PIS and COFINS levied on input acquired domestically and used in the processing of goods actually exported. It also includes total balances of these credits resulting from companies acquired in the first quarter of 2010.

7.3. PIS AND COFINS (TAXES ON SALES)

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. They also include total balances of these credits resulting from companies acquired in the first quarter of 2010.

7.4. INCOME AND SOCIAL CONTRIBUTION TAXES

This line item consists of income and social contribution taxes prepaid in the years ended 31 December 2008 and 2009, as well as total balances of those credits resulting from companies acquired in the first quarter of 2010.

7.5. WITHHOLDING INCOME TAX (IRRF)

Withholding income tax consists of income tax withheld from gains on financial investments made by the Company, as well as total balances of those credits resulting from companies acquired in the first quarter of 2010.

7.6. 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. It also includes total balances of those credits resulting from companies acquired in the first quarter of 2010.

7.7. EXPORT CERTIFICATES

Export certificates are certificates issued by the government of Uruguay as return of a percentage of income tax paid by exporters, as well as total balances of those credits resulting from companies acquired in the first quarter of 2010.

7.8. ONCCA CREDITS (OFICINA NACIONAL DE CONTROL COMERCIAL AGROPECUÁRIO)

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

8. NOTES RECEIVABLE

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Related-party transactions	779,361	691,639	-	-
Other notes receivable	4,682	4,670	5,787	5,482
Total	784,043	696,309	5,787	5,482
Current assets	120,643	81,000	-	-
Non-current assets	663,400	615,309	5,787	5,482

The Company's notes receivable mostly consist of balances resulting from transactions with its subsidiaries (related parties), as described in note 8.1.

8.1. RELATED-PARTY TRANSACTIONS

The following tables, except for transactions with Mr Marcos Antonio Molina dos Santos and Mrs. Márcia Paschal Aparecida Marçal dos Santos, sole partners of MMS Participações S.A., show the transactions between the Company and its wholly owned subsidiaries as of 30 September 2010. They should not be considered as related parties of the Company, taking into account that these transactions are conducted over the normal course of business, but are eliminated in consolidation, not having any effect on income (loss), and, therefore, not bringing any effects to the Company's shareholders:

COMPANY

				30/09/10	3RD QUARTER OF 2010	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	-	2,249	1,494	-	4,004	-
Frigorífico Tacuarembó S.A.	-	503	820	-	1,704	-
Inaler S.A.	-	969	1,251	-	1,917	-
Marfrig Chile Inversiones Ltda	3,070	-	-	-	-	3,537
Weston Importers Ltd.	26,282	837	4	-	-	3,996
MFB Marfrig Frigoríficos Brasil S.A	7,419	39,207	195,126	-	129,518	28,317
Pampeano Alimentos S.A.	8,307	6	155,455	-	-	11,841
Cledinor S.A.	-	-	-	-	2,469	-
Frigorífico Mabella Ltda	25	2,681	67,605	-	5,459	4
Dagranja Agroindustrial Ltda	319	477	201,400	-	762	466
Marfood USA Inc	-	16	57,228	-	-	-
Establecimientos Colonia S.A.	-	31	-	-	302	-
Quickfood S.A.	-	2,788	2,007	-	5,790	-
Moy Park Limited	-	-	8,782	-	-	-
Marfrig Holdings BV	-	-	17,303	-	-	-
Braslo Produtos de Carne Ltda	5,325	1,760	27,638	-	4,599	20,686
MBL Alimentos Ltda	71	-	5	271	-	102
Mas Frangos Part. Ltda	-	-	3,194	-	-	-
Penasul Alimentos Ltda	230	-	4,178	61,808	-	430
Agrofrango Ind. Com. Alim. Ltda	1	-	92	-	-	132
Seara Holding BV (1)	103	306	14,352	-	263	185
Columbus Netherlands BV	-	-	-	-	-	-
Zendaleather S.A.	-	-	-	-	-	20
Marfrig Overseas	-	-	21,427	-	-	-
Marcos Antonio Molina dos Santos	-	5,154	-	-	13,480	-
Marcia Aparecida Pascoal Marçal dos Santos	-	381	-	-	2,614	-
	51,152	57,365	779,361	62,079	172,881	69,716

(1) Current name of CCKVL Holding BV

COMPANY

				30/06/10	2ND QUARTER OF 2010	
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	-	2,459	868	-	1,518	-
Frigorífico Tacuarembó S.A.	-	-	2,568	-	2,435	-
Inaler S.A.	-	-	1,330	-	1,313	-
Marfrig Chile Inversiones Ltda	5,159	-	-	-	-	4,864
Weston Importers Ltd.	23,390	993	4	-	-	13,969
MFB Marfrig Frigoríficos Brasil S.A	11,236	46,403	117,550	-	109,214	23,508
Pampeano Alimentos S.A.	6,752	7	115,990	-	-	11,335
Cledinor S.A.	-	-	-	-	2,517	-
Frigorífico Mabella Ltda	7,119	4,884	58,407	-	5,195	-
Masplen Limited	-	-	80	-	-	-
Dagranja Agroindustrial Ltda	-	-	186,193	-	1,135	607
Marfood USA Inc	-	98	60,853	-	-	-
Establecimientos Colonia S.A.	-	-	-	-	1,867	-
Quickfood S.A.	-	1,898	1,910	-	1,193	-
Moy Park Limited	-	26	25,393	-	-	-
Moy Park Holdings Europe Limited	-	-	72	-	-	-
Marfrig Holdings BV	-	-	31	-	-	-
Braslo Produtos de Carne Ltda	-	-	27,502	-	5,542	19,842
MBL Alimentos Ltda	-	-	5	-	-	166
Mas Frangos Part. Ltda	-	-	3,194	-	-	-
Penasul Alimentos Ltda	-	-	50	61,709	-	631
Agrofrango Ind. Com. Alim. Ltda	-	-	74	-	-	112
Seara Holding BV (1)	163	292	89,565	-	180	330
Marcos Antonio Molina dos Santos	-	3,386	-	-	9,458	-
Marcia Aparecida Pascoal Marçal dos Santos	-	422	-	-	7,267	-
	53,819	60,868	691,639	61,709	148,834	75,364

(1) Current name of CCKVL Holding BV

	Consolidated			
	Accounts payable		Total purchases in the period	
	30/09/10	30/06/10	30/09/10	30/06/10
Marcos Antonio Molina dos Santos	5,154	3,386	13,480	9,458
Marcia Aparecida Pascoal Marçal dos Santos	381	422	2,614	7,267
	5,535	3,808	16,094	16,725

The Company's controlling shareholder, MMS Participações S.A., and its sole partners, have endorsed some financial agreements. No amounts were paid to the controlling shareholder or to its partners for the 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.

Mr Marcos Antonio Molina dos Santos and his wife acquired a property in the State of São Paulo on 27 April 2007 through Maremar – Administração de Bens S/C Ltda., which is controlled by them. This property engages in genetic studies to improve breeds of beef cattle. From mid 2008, the property began to operate a feedlot for 7,800 animals, which are slaughtered in the Company's beef packing plants. There are no other relations with directors or shareholders of Marfrig Group.

The transactions mentioned in the previous paragraph were conducted according to the market price of the 'arroba'[1] of cattle used by the Company at the acquisition date, based on suitable parameters published by Escola Superior de Agricultura Luiz de Queiroz (ESALQ).

According to the Company's by-laws, the Board of Directors should approve any transactions or group of transactions involving the Company and any direct or indirect related parties, whose annual value is equal or exceeds the limit the Board of Directors defined for management. Related party should be understood as any manager, employee or shareholder of the Company that holds, directly or indirectly, more than 10% interest in the Company's share capital.

All relations between the Company's affiliates and subsidiaries are described in note 1 – OPERATIONS.

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, always under conditions similar to the ones that would be applicable to non-related parties.

Intercompany loans 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.

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

Purchases and sales 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 financial statements, given that they are eliminated in consolidation.

9. DEFERRED TAX ASSETS

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Income tax	171,046	184,239	451,724	419,835
Social contribution tax	63,284	68,033	144,390	135,072
	234,330	252,272	596,114	554,907
Current assets	19,468	19,468	87,103	39,133
Non-current assets	214,862	232,804	509,011	515,774

Deferred taxes consist of deferred income and social contribution taxes, calculated on taxes whose payment has been suspended (provisions), which were added to the taxable income and the social contribution tax basis in prior periods and calculated on tax losses and future utilization for tax purposes of goodwill paid due to future profitability, which will be realised from 2010 to 2019.

Below is a roll forward of deferred taxes in the quarter ended 30 September 2010:

Description	Company		Consolidated	
	IRPJ	CSL	IRPJ	CSL
Beginning balance as of 1 July 2010	184,239	68,033	419,835	135,072
(-) Realisation due to tax utilisation of goodwill	(4,899)	(1,763)	(4,899)	(1,763)
(-) Realisation of deferred taxes on tax loss	(8,275)	-	(20,905)	-
Deferred taxes on tax loss	-	-	38,676	-
Deferred taxes on social contribution tax losses	-	-	-	17,253
(-) Realisation of deferred taxes on social contribution tax losses	-	(2,979)	-	(12,096)
Deferred taxes on temporary add-backs/deductions	-	-	19,372	6,800
(-) Realisation of deferred taxes on temporary add-backs/deductions	(19)	(7)	(4,620)	(1,551)
Other	-	-	4,265	675
Ending balance as of 30 September 2010	171,046	63,284	451,724	144,390

The Company has presented the figures of expected future generation of taxable income, discounted to present value, based on a feasibility technical study that allows the recognition and realisation of “Deferred Tax Assets” over a maximum 10-year period.

The Company completed a study about the expected future generation of taxable income, discounted to present value, of subsidiary Seara Alimentos S.A. Under the feasibility technical study “Deferred Tax Assets” are expected to be recognised and realised over a maximum 10-year period, leading to a reversal of the provision for non-realisation of deferred taxes, which was accrued in the second quarter of 2010.

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

Year	Company	Consolidated
2010	32,663	61,838
2011	48,742	80,925
2012	48,742	81,081
2013	48,742	82,623
2014	48,742	68,030
2015-2017	6,699	184,097
2018-2020	-	37,520
	234,330	596,114

In the nine-month period ended 30 September 2010 the Company realised R$61,053 in deferred tax assets by utilising the goodwill for tax purposes and offsetting it against tax loss carry forwards.

10. INVESTMENTS

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Ownership interest in subsidiaries	3,822,460	3,919,115	-	-
Other investments	135	135	1,111	1,152
	3,822,595	3,919,250	1,111	1,152

10.1. INVESTMENTS (COMPANY)

	No. of units of interest/shares	Ownership percentage in voting capital (1)	Trading on the stock exchange	Share capital	Equity	Net income (loss) for the period
Argentine Breeders & Packers S.A	482,511	99.99	No	213,105	145,972	(32,722)
MFB Marfrig Frigoríficos Brasil S.A. (2)	78,573,743	100.00	No	78,574	50,045	(9,112)
Marfrig Chile S.A.	13,358,426,280	99.47	No	42,146	36,346	5,658
Inaler S.A	66,247,320	100.00	No	2,486	30,613	1,050
Frigorífico Tacuarembó S.A	166,925,258	93.51	No	11,068	87,374	(119)
Weston Importers Ltd	1,338,278	100.00	No	21,565	18,848	(2,223)
Masplen Limited	100	100.00	No	-	9,060	(12,098)
Prestcott International S.A	79,638,916	100.00	No	4,951	36,350	289
Secculum Participações Ltda	9,200,000	99.00	No	9,200	5,180	(1,427)
União Frederiquense Partic. Ltda	552,031,080	99.99	No	552,031	481,731	(133,167)
QuickFood S.A	21,419,606	83.06	Yes	20,987	109,331	10,349
Establecimientos Colonia S.A	80,647,477	100.00	No	44,475	62,165	(7,818)
Marfrig Holdings(Europe) BV	3,509,714	100.00	No	895,724	1,020,062	27,137
Seara Holding BV (1)	490,285,420	100.00	No	1,261,248	1,728,236	469,186
Columbus Netherlands BV	27,087,661	100.00	No	64,573	53,911	(698)
Marfood USA Inc.	50,000	100.00	No	85	4,844	(3,355)
Marfrig Overseas Ltd	1	100.00	No	-	(31,325)	(32,936)
Total				3,222,218	3,848,743	277,994

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

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

10.2. THE BREAKDOWN OF INVESTMENTS IS AS FOLLOWS (COMPANY)

	Book balance as of 30/06/10	Translation adjustment	Acquisition of units of interest	Capital increase	Total investment in the period	Equity in earnings (loss)	Exchange variation on equity accounting	Book balance as of 30/09/10
Argentine Breeders & Packers S.A. (1)	165,457	222	-	-	-	(8,707)	(11,001)	145,971
MFB Marfrig Frigoríficos Brasil S.A (2) (3)	64,617	7	-	-	-	(14,585)	-	50,039
Marfrig Chile S.A. (1)	33,849	(131)	-	-	-	3,135	(698)	36,155
Inaler S.A. (1)	32,675	15	-	-	-	(131)	(1,946)	30,613
Frigorífico Tacuarembó S.A. (1)	88,268	237	-	-	-	(1,640)	(5,261)	81,604
Weston Importers Ltd. (1)	17,670	1,497	-	-	-	(1,827)	(108)	17,232
Masplen Limited (1)	13,419	47	-	-	-	(4,406)	-	9,060
Prestcott International S.A. (1)	39,981	78	-	-	-	(1,328)	(2,381)	36,350
Secculum Participações Ltda. (2)	5,276	(13)	-	-	-	(135)	-	5,128
União Frederiquense Partic. Ltda. (2)	496,126	(1,077)	-	-	-	(13,390)	-	481,659
QuickFood S.A (1)	88,173	(332)	1,677	-	1,677	7,263	(6,011)	90,770
Establecimientos Colonia S.A (1)	67,999	51	-	-	-	(1,848)	(4,050)	62,152
Marfrig Holdings(Europe) BV (1)	1,053,618	(279)	-	-	-	1,736	(35,013)	1,020,062
Seara Holding (Europe) BV (2)	1,698,358	(4,851)	-	-	-	34,729	-	1,728,236
Columbus Netherlands BV (1)	60,853	(310)	-	-	-	5,298	(11,930)	53,911
Marfood USA	5,677	-	-	-	-	(495)	(338)	4,844
Marfrig Overseas	(12,901)	872	-	-	-	(20,065)	768	(31,326)
Total	3,919,115	(3,967)	1,677	-	1,677	(16,396)	(77,969)	3,822,460

(1) Those companies had their financial statements as of 30 September 2010 reviewed by member firms of the BDO network in their countries.

(2) Financial statements reviewed by BDO Auditores Independentes.

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

In the nine-month period ended 30 September 2010, the Company concluded and announced the following company acquisitions:

- On 4 January 2010, it concluded the acquisition from Cargill Inc. of its Brazilian animal protein business (poultry, pork and processed products), represented by Seara Alimentos Ltda. and affiliates in Europe and Asia (including the trademark SEARA in Brazil and abroad, in addition to 12 plants in the segment of value-added processed products and a port terminal). The amount of the transaction was US$899 million, of which US$705.2 million was paid in cash on 4 January 2010 and US$193.8 million in debt assumption after a due diligence. On 24 February 2010, an amount of US$32.4 million was added to the transaction amount, due to Cargill's positive balance in SEARA's working capital, which has not affected economically the transaction value for the Company. The businesses of Seara Alimentos in Brazil and the offices abroad were integrated into Marfrig Group's Poultry, Pork and Processed Products Brazilian Division. No additional payments of any kind will be made to the sellers.

- On 22 January 2010, the acquisition of 51% of Zenda Group was concluded, through the payment of US$ 38.1 million. Zenda Group, whose activity is the processing and sale of processed and cut leather, has the daily capacity to produce up to 7,000 pieces of leather. It is headquartered in Uruguay and it has units in Argentina, Mexico, United States, Germany, South Africa, Chile, Hong Kong and China. As established by contract and disclosed as a Significant event the Company signed a purchase and sale agreement for the remaining ownership interest in Zenda Group (49%).A fixed amount will be paid together with a portion varying according to Ebitda margin, less possible contingencies under the responsibility of sellers. Payment will be made every six months, the first one within twelve (12) months from the closing date (22/01/2012) and the last one after thirty (30) months from the closing date on 31 July 2012. No additional payments will be made to sellers for any reason.

- On 3 August 2010 the Company concluded the acquisition of O'Kane Poultry Ltd through its subsidiary Marfrig Holdings(Europe) BV in the amount of £26.0 million British pounds, the equivalent to R$72.1 million Brazilian reais. Payments were made in two equal instalments, the first on the acquisition date and the second one on 3 August 2011. No additional payments will be made to sellers for any reason.

  Such investments have been properly accounted for on the equity method, since they relate to subsidiaries. The financial statements of those companies for the period ended 30 September 2010 and 30 June 2010 were prepared according to legislation in effect in each country where companies are located and were reviewed by independent auditors, to be converted into the International Financial Reporting Standards - IFRS and expressed in US dollars. They were then converted into Brazilian accounting practices and translated into Brazil's local currency.

- On 14 June 2010, the Company communicated its shareholders and the market in general that it entered into a Membership Interest Purchase Agreement (MIPA) with Lindsay Goldberg LLC, under which it acquired 100% of the shares issued by Keystone Foods, a company that operates worldwide in the development, production, trading and distribution of chicken, fish, pork and beef food, and is specialised in food services. This acquisition puts Marfrig at a leading position as supplier of the whole international chain of McDonald's, Campbell's, Subway, ConAgra, Yum Brands and Chipotle. Keystone Foods LLC is the largest US private corporation engaged in animal protein processing, according to Forbe's 2009 America's Largest Private Companies of 28 October 2009. It is headquartered in West Conshohocken, Pennsylvania, USA, and serves more than 28,000 restaurants in 13 countries, including USA, France and United Kingdom (Europe), China, Thailand, Malaysia and South Korea (Asia), Australia, New Zealand and United Arab Emirates, Kuwait, Bahrain, Qatar and Oman (Middle East). In 2009, the Company operated with 12,900 employees in 54 units and had net sales of US$6.4 billion on its food production and distribution businesses. The amount of the acquisition was US$ 1.26 billion (Company Value) and the conclusion of the operation is subject to usual conditions applicable to similar transactions, including approval by antitrust authorities. To finance this acquisition and at the same time keep the flexibility of its balance sheet, MARFRIG have raised R$2.5 billion (approximately USD1.3 billion) through a private subscription of 5-year term convertible debentures, which details are disclose in note 21, item b. This acquisition was concluded on 1 October 2010 as disclosed in note 27 – Subsequent events.

11. PROPERTY, PLANT AND EQUIPMENT

				Company	
				30/09/10	30/06/10
Description	Average annual depreciation rates	Cost	Accumulated depreciation	Net	Net
Plots of land	-	22,127	-	22,127	22,127
Buildings	4%	319,844	(46,059)	273,785	249,019
Machinery and equipment	10%	245,371	(74,699)	170,672	164,039
Furniture and fixtures	10%	7,268	(2,110)	5,158	5,120
Facilities	5%	222,623	(20,391)	202,232	180,321
Vehicles	20%	11,692	(11,420)	272	199
IT equipment	20%	6,665	(4,266)	2,399	2,424
Aircrafts	20%	382	(210)	172	191
Advance for acquisition of property, plant and equipment	-	11,444	-	11,444	12,468
Leasehold improvements	4%	2,978	(33)	2,945	2,296
Lease - vehicles	20%	30,611	(20,883)	9,728	11,036
Lease - computer hardware	20%	17,061	(10,148)	6,913	7,769
Lease - machinery	10%	32,007	(6,737)	25,270	25,935
Lease - facilities	5%	81,487	(13,443)	68,044	69,038
Lease - buildings	4%	68,800	(10,627)	58,173	58,847
Construction in progress	-	226,860	-	226,860	234,690
Other	4%	543	-	543	452
		1,307,763	(221,026)	1,086,737	1,045,971

		Consolidated			
				30/09/10	30/06/10
Description	Average annual depreciation rates	Cost	Accumulated depreciation	Net	Net
Plots of land	-	121,788	-	121,788	118,166
Buildings	4%	1,147,126	(79,427)	1,067,699	1,025,567
Machinery and equipment	10%	1,118,598	(159,057)	959,541	917,055
Furniture and fixtures	10%	47,156	(6,941)	40,215	34,306
Facilities	5%	350,520	(29,479)	321,041	296,375
Vehicles	20%	21,348	(12,403)	8,945	8,046
IT equipment	20%	23,198	(9,247)	13,951	15,434
Aircrafts	20%	382	(210)	172	191
Advance for acquisition of property, plant and equipment	-	22,560	-	22,560	20,834
Leasehold improvements	4%	15,444	(2,243)	13,201	17,948
Lease - vehicles	20%	30,869	(20,904)	9,965	11,083
Lease - computer hardware	20%	17,061	(10,148)	6,913	7,769
Lease - machinery	10%	41,264	(8,459)	32,805	34,560
Lease - facilities	5%	84,373	(13,474)	70,899	72,019
Lease - buildings	4%	68,800	(10,627)	58,173	58,847
Construction in progress	-	430,627	-	430,627	409,389
Other	4%	287,147	(124,569)	162,578	177,260
		3,828,261	(487,188)	3,341,073	3,224,849

Pursuant to CVM Resolution No. 554/08, 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 17.

In accordance with CVM Resolution No. 527/07, property, plant and equipment were tested for impairment, or when there is evidence that assets may not be recovered. During the period ended 30 September 2010, the book values of the Company's assets are not higher than the amounts which could be obtained by use or sale. These analyses are made on an annual basis.

Impairment tests include projecting the profitability and future cash of the Company's plants, which were discounted to present value to identify the degree of recoverability of property, plant and equipment.

12. INTANGIBLE ASSETS

Pursuant to CVM Resolutions No. 553/08 and 565/08 the Company created the "Intangible Assets" account in non-current assets, as shown below:

	30/09/10	30/06/10
Intangible assets - Controlling company	559,001	550,102
Intangible assets - subsidiaries	2,119,603	2,145,512
	2,678,604	2,695,614

Changes in the Intangible assets accounts (Company and Consolidated) in the period ended 30 September 2010 is as follows:

12.1. CHANGES IN INTANGIBLE ASSETS (COMPANY)

	Balance as of 30 June 2010	Acquisition/write-off	Goodwill on acquisition	Reclassification	Balance as of 30 September 2010
Argentine Breeders & Packers S.A. - goodwill	24,213	-	-	-	24,213
MFB Marfrig Frigoríficos Brasil S.A - negative goodwill (1)	(12,478)	-	-	-	(12,478)
Inaler S.A. - goodwill	38,379	-	-	-	38,379
Frigorífico Tacuarembó S.A. - goodwill	57,824	-	-	-	57,824
Masplen Limited - goodwill	17,258	-	-	-	17,258
Prestcott International S.A. - goodwill	22,922	-	-	-	22,922
Secculum Participações Ltda. - goodwill	16,188	-	-	-	16,188
União Frederiquense Partic. Ltda. - goodwill	11,683	-	-	-	11,683
QuickFood S.A - goodwill	220,696	4,924	-	-	225,620
Establecimientos Colonia S.A - goodwill	114,479	-	-	-	114,479
Seara Holding BV (2)	21	-	-	-	21
Columbus Netherlands BV	22	-	-	-	22
Marfood USA Inc.	307	-	-	-	307
Software and systems	19,205	475	-	-	19,680
Trademarks and patents	19,383	3,500	-	-	22,883
Total	550,102	8,899	-	-	559,001

12.2. CHANGES IN INTANGIBLE ASSETS (SUBSIDIARIES)

	Book balance as of 30 June 2010	Reclassification	Goodwill/negative goodwill on acquisition	Acquisition of trademark/other	Exchange gain (loss) on translation	Amortisation	Book balance as of 30 September 2010
Argentine Breeders & Packers S.A.	**93,962**	**-**	**-**	**-**	**(6,241)**	**-**	**87,721**
Estancias del Sur - goodwill	46,927				(3,113)	-	43,814
Mirab(AR) - goodwill	27,796				(1,849)	-	25,947
Best Beef - goodwill	19,239				(1,279)	-	17,960
Marfrig Chile S.A.	**12,889**	**-**	**-**	**1,376**	**(768)**	**-**	**13,497**
QuintoCuarto - goodwill	2,429				(145)		2,284
Frigorifico Patagonia - goodwill	10,460				(623)		9,837
Trademarks and patents/other				1,376			1,376
Weston Importers Ltd.	**9,477**	**-**	**-**	**-**	**(241)**	**-**	**9,236**
CDB Meats Ltd - goodwill	9,477				(241)	-	9,236
Marfrig BV	**773,340**	**75**	**21,448**	**-**	**(46,110)**	**(13)**	**748,740**
Moy Park - goodwill	702,211				(41,538)		660,673
Moy Park France - goodwill	63				(4)		59
Dungannon Proteins - goodwill	3,022				(515)	-	2,507
OKP - goodwill			21,448				21,448
Kitchen Range - goodwill	68,044				(4,053)		63,991
Outros	-						-
Trademarks and patents/other		75				(13)	62
Masplen Limited	**322**	**-**	**-**	**-**	**-**	**-**	**322**
Trademarks and patents/other	322						322
Quickfood	**-**	**-**	**-**	**726**	**-**	**(70)**	**656**
Trademarks and patents	-			726		(70)	656
Prestcott International S.A	**7,920**	**-**	**-**	**385**	**(472)**	**(8)**	**7,825**
Cledinor - goodwill	7,920				(472)		7,448
Software				385		(8)	377
Seara Holding Bv	**674,735**	**543**	**-**	**2,870**	**-**	**(1,594)**	**676,554**
Seara Alimentos - goodwill	10,889	222					11,111
Seara Brasil - goodwill	625,868						625,868
Seara Holanda - goodwill	32,546						32,546
Seara Japão - goodwill	103						103
Seara Espanha - goodwill	2						2
Software	4,747	279		2,870		(1,467)	6,429
Licença Porto	580	42				(127)	495
Columbus Netherlands BV	**(5,309)**	**-**	**-**	**1,536**	**313**	**(430)**	**(3,890)**
Zenda - goodwill	(5,309)				316		(4,993)
Software				1,366	(3)	(343)	1,020
Trademarks and patents/other				170		(87)	83
União Frederiquense Partic. Ltda.	**527,598**	**2,489**	**-**	**393**	**(103)**	**(486)**	**529,891**
Pena Paulo - goodwill	4,836						4,836
MBL (Carroll's) - goodwill	8,499						8,499
Dagranja - goodwill	351,616						351,616
Agrofrango - goodwill	28,043						28,043
Penasul - goodwill	9,867						9,867
Braslo - goodwill	13,008						13,008
Mas do Brasil - goodwill	88,723						88,723
Brusand - goodwill	6,750				(103)		6,647
Penasul UK - goodwill	4,502						4,502
Trademarks and patents/other	11,754	2,489		393		(486)	14,150
Secculum Participações Ltda.	**5,653**	**36**	**-**	**5**	**(1)**	**(16)**	**5,677**
Pena Paulo - goodwill	52						52
MBL (Carroll's) - goodwill	91						91
Dagranja - goodwill	3,767						3,767
Agrofrango - goodwill	300						300
Penasul - goodwill	106						106
Braslo - goodwill	139						139
Mas do Brasil - goodwill	951						951
Brusand - goodwill	72				(1)		71
Penasul UK - goodwill	49						49
Trademarks and patents/other	126	36		5		(16)	151
Marfood USA	**44,925**	**-**	**-**	**-**	**(2,677)**	**(142)**	**42,106**
Trademarks and patents/other	44,925				(2,677)	(142)	42,106
Tacuarembó	**-**	**-**	**-**	**574**	**-**	**(50)**	**524**
Software/Other				574		(50)	524
Inaler	**-**	**-**	**-**	**314**	**-**	**(8)**	**306**
Software/Other				314		(8)	306
Colonia	**-**	**-**	**-**	**441**	**-**	**(3)**	**438**
Software/Other				441		(3)	438
Total	2,145,512	3,143	21,448	8,620	(56,300)	(2,820)	2,119,603

The goodwill recognised by the parent company and subsidiaries was based on the amount paid according to the expected future profitability of the respective acquired companies.

In the third quarter of 2010 the Company did not recognise goodwill on the acquisition of Moy Park, given that no provision for accounts payable was accrued due to this acquisition. In the first and second quarters of 2010 the Company recognised the payment of goodwill on the acquisition of Moy Park, as described in note 18.

In accordance with CVM Resolution No. 527/07 of 31 December 2009, property, plant and equipment were tested for impairment. Impairment tests show that the book values of the Company's assets are not higher than the amounts which could be obtained by use or sale. These analyses are made on an annual basis.

Tests consisted of experts' preparing valuation reports of subsidiaries to check the degree of recoverability of the amounts recorded in intangible assets.

13. DEFERRED CHARGES

				Consolidated	
				30/09/10	30/06/10
Description	Annual average amortisation rates	Cost	Accumulated amortisation	Net	Net
operating expenses	10%	17,599	(8,002)	9,597	10,211
		17,599	(8,002)	9,597	10,211

In the periods ended 30 September 2010 and 30 June 2010 the Company incurred no pre-operating expenses.

The balance of deferred charges (Consolidated) will be maintained until its full amortisation, according to CVM Resolution No. 565/2008.

14. ACCRUED PAYROLL AND RELATED CHARGES

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
INSS (social security contribution) payable	89,202	74,933	161,395	141,740
Salaries and payroll provisions	30,591	27,500	225,404	192,100
Other social charges and benefits payable	3,047	1,802	40,046	44,327
	122,840	104,235	426,845	378,167

On 21 November 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 2 February 2006.

15. TAXES PAYABLE

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
ICMS (State VAT)	783	893	26,605	22,905
Special tax debt instalment payment plan - Law No. 11.941/2009	92,769	98,528	293,589	295,177
Income tax	1,571	-	25,097	30,287
PIS and COFINS (tax on sales)	-	-	1,523	37,398
Other	6,677	6,101	54,668	63,026
	101,800	105,522	401,482	448,793
Current liabilities	20,389	19,655	126,826	174,845
Non-current liabilities	81,411	85,867	274,656	273,948

15.1 SPECIAL TAX DEBT INSTALMENT PAYMENT PLAN – LAW 11.941/2009

On 30 September 2009, the Company adhered to the Special Tax Debt Instalment Payment Plan (New REFIS), established by Law No. 11.941, of 27 May 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 it 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 in up to 180 months, as follows.

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Beginning balance	98,528	96,864	295,177	290,424
(+) Adhesion to the instalment plan	-	-	-	-
(-) Offset of fine and interest with tax loss carryforwards	-	-	(727)	-
Interest	3,297	2,767	8,826	7,951
Discount to present value	(7,070)	924	(7,070)	924
Debt balance	94,755	100,555	296,206	299,299
(-) payments made	(1,986)	(2,027)	(2,617)	(4,122)
Ending balance	92,769	98,528	293,589	295,177
Current liabilities	11,841	12,661	32,896	33,512
Non-current liabilities	80,928	85,867	260,693	261,665

The Federal Revenue Service approved the Company's and its controlled companies' requests to join the Special Tax Debt Instalment Payment Plans (New Refis). Debts will be assessed and consolidated according to Jointly Administrative Act PGFN/RFB No. 3 of 29 April 2010.

Despite the fact that the amounts of the Special Tax Debt Instalment Payment Plan (New Refis) had not been approved by the date of presentation of these financial statements, the declared debt was booked and classified, assuming its acceptance by authorities and considering the settlement period established under the plans. Total obligations will only be confirmed when competent authorities finish their analyses of the declared debts. Management does not expect material adjustments arising from that case.

16. LOANS AND FINANCING

				Company	
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 30/09/10	Balance 30/06/10
Local currency					
FINAME	TJLP + Fixed rate	4.5	4.78	730	-
BNDES Finem	TJLP + 1.80%	8.05	2.38	8,489	9,345
FINEP	TJLP + 1%	7.25	3.05	40,635	41,544
NCE	Fixed rate + %CDI	12.73	1.19	900,082	691,226
Working capital	CDI + Fixed rate	13.11	3.59	255,135	62,264
Prepayment (interest)	%CDI	10.82	0.30	1,969	1,880
Procer	Fixed rate	11.25	2.07	204,312	-
Total local currency		12.39		1,411,352	806,259
Foreign currency					
ACC (US$)	Fixed rate + Exchange gain (loss)	4.56	0.39	275,117	376,648
Financing of industrial complex (US$)	rate+Exchange gain (loss)	3.96	1.78	5,806	7,561
Prepayment(US$)	Libor+Fixed rate+Exchange gain (loss)	7.59	4.29	2,210,166	2,309,588
Bonds (US$)	Exchange gain (loss)	9.63	6.43	-	647,624
BNDES Finem	Basket of currencies + 1.30%	1.30	2.38	1,700	1,852
NCE (US$)	Exchange gain (loss) (US$)+Libor	8.52	4.07	1,265,169	403,182
Swap and purchase option	Premium + Exchange gain (loss) + Libor			-	20,397
Total foreign currency		7.67		3,757,958	3,766,852
Total indebtedness		8.96		5,169,310	4,573,111
Current liabilities				1,393,525	1,352,809
Non-current liabilities				3,775,785	3,220,302

				Consolidated	
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 30/09/10	Balance 30/06/10
Local currency					
FINAME	TJLP + Fixed rate	6.67	2.77	11,079	11,490
BNDES Finem	TJLP + 1,80	7.65	2.67	16,184	17,661
FINEP	TJLP + 1%	7.25	3.05	40,635	41,544
NCE	Fixed rate+%CDI	12.16	2.02	1,196,293	894,072
Working capital (R$)	Fixed rate+%CDI	12.13	1.64	467,264	100,216
Rural credit note (R$)	Fixed rate	6.93	0.84	237,617	157,593
Prepayment (interest)	%CDI	10.82	0.30	1,969	1,880
FCO - Centre West Region Fund	Fixed rate	10.00	3.00	9,350	11,509
Procer	Fixed rate	11.25	2.07	204,312	-
BNDES Exim	Fixed rate	7.00	2.00	118,965	-
Total local currency		**11.11**		**2,303,668**	**1,235,965**
Foreign currency					
ACC (US$)	Fixed rate + Exchange gain (loss)	4.56	0.40	275,515	686,923
Financing of industrial complex (US$)	Libor+Fixed rate + Exchange gain (loss)	4.98	1.42	31,106	16,961
Prepayment (US$)	Libor+Fixed rate + Exchange gain (loss)	7.63	4.25	2,281,845	2,411,044
Bonds (US$)	Fixed rate + Exchange gain (loss)	9.55	8.22	1,484,117	1,539,424
BNDES Finem	Basket of currency + 1.30	1.30	2.38	1,700	1,852
NCE (US$)	%CDI+Fixed rate+Exchange gain (loss) (US$)+Libor	8.52	4.07	1,270,610	412,043
Swap and purchase option	Exchange gain			-	20,397
Working capital (US$)	Fixed rate + Libor	4.64	0.70	195,953	180,116
Working capital (Pesos)	Development unit	5.90	0.30	1,744	1,643
Bank loan (US$)	Fixed rate	10.04	1.00	130,844	21,212
PAE (US$)	Fixed rate	1.80	0.10	9,803	12,028
Financing (US$)	Fixed rate	4.27	0.22	5,436	13,704
Overdraft protection (US$)	Libor + Fixed rate	1.88	0.22	5,194	6,630
Marketable papers	Fixed rate	7.06	3.22	76,448	82,731
Total foreign currency		8.08		5,770,315	5,406,708
Total indebtedness		8.95		8,073,983	6,642,673
Current liabilities				2,111,861	2,078,856
Non-current liabilities				5,962,122	4,563,817

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

FINAME – Machinery and Equipment Finance

BNDES (National Bank for Economic and Social Development) credit line for acquisition of capital goods. The currency to be used by BNDES to adjust 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 by June 2015.

BNDES FINEM – Business Finance

BNDES credit line to finance businesses. The loans have been raised to acquire machinery and equipment, and expand production facilities. This finance agreement is partially adjusted using the TJLP (long-term interest rate) and the rest is adjusted using the UMBNDES (Monetary unit of the National Bank for Economic and Social Development), 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.

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 (long-term interest rate). The finance agreement is guaranteed by a contract with Bradesco. It will be repaid in monthly instalments until March 2016.

NCE - Export Credit Note (ECN)

Credit line which grants tax benefits to export companies. Exports made must be proved. Funds raised under this credit line are used as working capital. These transactions, denominated in R$ and US$, are guaranteed by trade notes, endorsements and supply contracts; in some cases, no guarantee is given. The rates used for adjustment of those transactions in U.S. dollars are: Libor (*London Interbank Offered Rate*) and/or fixed rate, and for transactions in Brazilian reais, CDI and/or fixed rate. Repayments will be made until October 2015.

Working capital

Funds raised under this credit line are used for working capital financing. Transactions are conducted both in euros and pesos. They are guaranteed by endorsements and mortgages. The adjustment indexes used for that operation are CDI and/or fixed rate. Repayments will be made until September 2014

Rural credit note

Credit line to finance the integration system between rural producers (partners) and meat packing plants. Funds under this credit line are raised in BRL and linked to production. This finance is guaranteed by endorsement and adjusted using a fixed rate. Repayments will be made until September 2011.

ACC – Advance on exchange contracts

Foreign credit line for export companies. Funds raised under this credit line are used for export financing.

ACC transactions are conducted in US 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 September 2011.

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 (*London Interbank Offered Rate*), plus a fixed rate. Repayment is scheduled up to July 2012, with quarterly instalments of the principal and interest.

Prepayment

Foreign credit line for export companies. Funds raised under this credit line are used for export financing. This transaction is conducted in US dollars and guaranteed by promissory notes, endorsements, supply contracts and export documents. In some cases no collaterals are offered. The adjustment rates used for those transactions are Libor (*London Interbank Offered Rate*), plus a fixed rate. Repayments will be made until December 2016.

Centre Western Fund (FCO)

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 endorsement and adjusted using a fixed rate. The repayment schedule is monthly, plus interest, until December 2013.

Bonds

Financing in US$, with semi-annual interest payments and without guarantees, through debt securities issued abroad under 144A Rule and Regulation S. The first transaction was made in 2006, with principal due in November 2016, for the purpose of financing the acquisition of units in Argentina and Uruguay. The second transaction was made in 2010, with principal due in April 2020, and the funds will be used principally to extend the maturity of the Company's debt.

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 IPE – "*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.

BNDES PROCER – Working capital financing

The purpose of BNDES credit line for working capital loans is 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.

BNDES – EXIM (export finance)

Credit line offered by BNDES to export companies under the BNDES Investment Support Programme – Pre-shipment export sub programme. Funds raised under this credit line are used for export financing. This credit line is in Brazilian reais and collateralised by endorsements from Marfrig Alimentos S.A. It bears annual interest of 7%. Repayments will be made until December 2011.

Bank loans

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 endorsements 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 2012.

Below is a debt maturity schedule:

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Local currency				
3T10	-	153,756	-	288,458
4T10	304,014	193,652	396,272	235,183
1T11	83,763	117,034	223,850	117,570
2T11	60,609	97,630	94,130	118,475
3T11	115,492	-	210,300	
2011	152,957	113,927	340,693	118,860
2012	391,094	66,862	569,385	128,407
2013	220,732	30,054	280,002	89,322
2014	75,017	25,719	128,362	79,065
2015	5,768	5,719	58,768	58,719
2016	1,906	1,906	1,906	1,906
	1,411,352	806,259	2,303,668	1,235,965
Foreign currency				
3T10	-	43,019	-	266,704
4T10	128,770	180,616	219,614	442,526
1T11	334,366	406,983	492,718	436,928
2T11	114,158	160,119	128,055	173,012
3T11	252,353	-	346,922	
2011	85,745	350,249	127,309	431,398
2012	528,814	541,802	624,350	608,019
2013	814,125	620,832	853,255	660,258
2014	715,859	442,538	740,673	467,013
2015	622,438	226,822	634,061	239,211
2016	161,330	793,872	790,765	801,089
2017			2	12
2018				
2019				
2020			812,591	880,538
	3,757,958	3,766,852	5,770,315	5,406,708
Total indebtedness	5,169,310	4,573,111	8,073,983	6,642,673

Following are the guarantees for loans and financing:

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Balance of financing:	5,169,310	4,573,111	8,073,983	6,642,673
Guarantees:				
No guarantees	2,012,161	1,870,853	3,698,485	2,935,314
Promissory note	1,464,784	1,649,198	1,653,761	1,673,879
Trade bills	96,351	89,412	113,384	130,916
Bank guarantee	10,238	11,197	44,122	102,810
Supply contract	34,139	36,406	36,354	38,569
Endorsement	1,207,817	606,894	2,030,922	1,180,755
Financed asset	730	-	18,775	27,850
Export documents	-	-	12,342	102,292
Facilities	46,441	49,105	46,441	53,365
Mortgage	-	-	40,926	55,035
Financial investment	296,649	260,046	302,061	270,710
Export credit	-	-	76,410	71,178

On 26 March 2010, shareholders authorised a transaction of "Senior Notes", issued in 2006 by Marfrig Overseas, subsidiary of the Company, amounting to US$375,000,000, at the annual rate of 9.625%, maturing on 2016 (the "Notes"), for the change of some provisions on this agreement, which was guaranteed by Marfrig Alimentos S.A. The amendment included the change or elimination of certain clauses and restrictions described in the agreement of the transaction referred to above. There were no changes as for the effective period or annual interest rates paid on these Notes. The authorisation referred to above was given by the holders of the outstanding notes who informed their decision by 25 March 2010, and was signed by Marfrig Alimentos S.A. and by some relevant subsidiaries, which have also become guarantors of the transaction.

On 30 April 2010, Marfrig Overseas Limited, a subsidiary of Marfrig Alimentos S.A., concluded a 10-year bond offering in the total amount of US$500 million, solely for qualified institutional investors, under Rule 144A of the Securities Act. This transaction was not and will not be registered with the Brazilian Securities and Exchange Commission (“CVM”) or under the Securities Act of 1933, as amended.

The amounts raised are below:

Fund raising statement - Bonds 2010	
	US$ thousand
Principal amount	500,000
(-) Negative goodwill (face value equal to 98.426%)	(7,870)
(-) Banks' commissions	(4,500)
(-) Lawyers' services	(331)
Net amount	487,299

The bonds, maturing on 29 April 2020, were issued with a coupon of 9.50% per year and the foreign-currency risk rating assigned by Moody's and Standard & Poors and Fitch was B1 and B+, respectively.

The transaction is guaranteed by Marfrig Alimentos S.A. and its subsidiaries União Frederiquense Participações Ltda., Marfrig Holdings (Europe) BV and Seara Alimentos S.A.

The funds raised were used principally to extend the maturity of the Company's debt.

Considering that the notes issued by the Company (Marfrig Bonds), which mature in 2016 and 2020, account for 18.38% (23.17% as of 30 June 2010) of consolidated indebtedness, requirements related to the maintenance of certain financial indexes agreed upon their issue are valid for all the other loans, financing and for the debentures presented in note 21, item b, outstanding on the balance sheet date. After the amendments referred to above, the restrictions, as for indebtedness, correspond to keeping the adjusted net debt/pro forma EBITDA ratio below 4.75x.

17. LEASE PAYABLE

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

a. Finance lease

According to CVM Resolution No. 554/08, finance lease operations are now recognised under the Company's current liabilities and noncurrent liabilities, with an offsetting entry to property, plant and equipment, according to note 11.

Transactions agreed before the issue of the resolution referred to above are not considered in the calculation of the covenants mentioned in note 16.

					Company	
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 30/09/10 (at present value)	Future Payments 30/09/10	Balance 30/06/10 (at present value)
Local currency						
Finance lease of vehicles	CDI + Rate	11.6%	1.9	22,816	13,886	24,512
Finance lease of IT equipment	CDI + Rate	8.6%	2.1	19,506	10,471	20,730
Finance lease of machinery and equipment	CDI + Rate	12.9%	2.6	22,885	20,980	24,818
Finance lease of industrial facilities	CDI + Rate	14.1%	1.7	40,228	31,533	46,654
Finance lease of buildings	CDI + Rate	14.1%	1.1	33,724	21,198	39,891
Interest due				(62,780)	-	(68,974)
Finance lease - discount to present value				6,603	-	7,577
Total local currency				82,982	98,068	95,208
Total Company				82,982	98,068	95,208
Current liabilities				48,749		49,003
Non-current liabilities				34,233		46,205

						Consolidated
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 30/09/10 (at prsent value)	Future payments 30/09/10	Balance 30/06/10 (at present value)
Local currency						
Finance lease of vehicles	CDI + rate	11.6%	1.9	22,859	13,886	24,577
Finance lease of IT equipment	CDI + rate	8.6%	2.1	19,506	10,471	20,730
Finance lease of machinery and equipment	CDI + rate	12.9%	2.7	23,665	21,447	25,312
Finance lease of industrial facilities	CDI + rate	14.1%	1.7	40,957	32,456	47,445
Finance lease of buildings	CDI + rate	14.1%	1.1	33,724	21,198	39,891
Interest due				(62,780)	-	(68,974)
Finance lease - discount to present value				6,603	-	7,577
Total local currency				84,534	99,458	96,558
Foreign currency						
Finance lease of vehicles	rate	5.0%	1.2	1,145	1,989	1,278
Finance lease of IT equipment	rate	8.5%	1.9	40	6,746	16
Finance lease of machinery and	rate	8.0%	2.5	26,919	33,931	31,759
Finance lease of industrial facilities	rate	7.5%	1.2	3,212	2,897	1,782
Finance lease of buildings	rate	0.0%	0.0	-	-	-
Total foreign currency				31,316	45,563	34,835
Total Consolidated				115,850	145,021	131,393
Current liabilities				62,267		62,959
Non-current liabilities				53,583		68,434

According to Technical Pronouncement CPC No. 12, approved by CVM Resolution No. 564/08, finance lease payable was discounted to present value on the original recognition date as described in note 3 (l)

Below is the lease maturity schedule:

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Local currency				
3T10	-	12,224	-	12,335
4T10	12,501	12,220	12,625	12,322
1T11	12,550	12,268	12,673	12,370
2T11	12,572	12,291	12,695	12,392
3T11	11,126	-	11,233	-
2011	10,234	21,992	10,343	22,165
2012	21,153	21,534	21,588	21,884
2013	2,709	2,678	3,050	2,960
2014	90	1	234	105
2015	47		93	25
Total local currency	82,982	95,208	84,534	96,558
Foreign currency				
3T10	-	-	-	3,560
4T10	-	-	4,021	3,345
1T11	-	-	3,189	3,295
2T11	-	-	3,217	3,340
3T11	-	-	2,614	-
2011	-	-	2,509	5,213
2012	-	-	9,787	9,994
2013	-	-	4,400	4,467
2014	-	-	1,579	1,621
Total foreign currency	-	-	31,316	34,835
Total lease	82,982	95,208	115,850	131,393

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

	Company	
	30/09/10 (at present value)	30/06/10 (at present value)
Local currency		
Up to one year	48,749	49,003
From one to five years	34,233	46,205
More than five years	-	-
	82,982	95,208

	Consolidated	
	30/09/10 (at present value)	30/06/10 (at present value)
Local currency		
Up to one year	49,226	49,419
From one to five years	35,308	47,139
More than five years	-	-
	84,534	96,558
	30/09/10	30/06/10
Foreign currency		
Up to one year	13,041	13,540
From one to five years	18,275	21,295
More than five years	-	-
	31,316	34,835
	115,850	131,393

Following are the guarantees for the leases:

	30/09/10	30/06/10	30/09/10	30/06/10
Local currency				
Guarantees:	-	-	-	-
Financed asset	82,982	95,208	84,534	96,558
Total local currency	82,982	95,208	84,534	96,558
Foreign currency				
Guarantees:	-	-	-	-
Financed asset	-	-	31,316	34,835
Total foreign currency	-	-	31,316	34,835
Total	82,982	95,208	115,850	131,393

b. Operating lease

The recognition of the operating lease is still made using the previous accounting criterion, that is, the lease expense is monthly recorded, according to CVM Resolution No. 554/08.

Operating lease as of 30 September 2010 is as follows:

OPERATING LEASE

Company

Financial institution	Leased asset	Start date	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Total amount financed	Expense at 30/09/10
	Moeda nacional					
CSI LATINA A. M. S.A	IT equipment	21/12/06	12.32%	0.01	2,727	257
CSI LATINA A. M. S.A	IT equipment	02/07/07	14.61%	2.3	1,640	236
CSI LATINA A. M. S.A	IT equipment	21/11/09	13.39%	2.1	1,206	301
CSI LATINA A. M. S.A	IT equipment	21/02/10	16.13%	2.3	4,790	1,071
CSI LATINA A. M. S.A	IT equipment	19/05/10	16.13%	2.6	5,429	810
CSI LATINA A. M. S.A	IT equipment	19/05/10	10.37%	2.6	1,718	251
CSI LATINA A. M. S.A	IT equipment	09/09/10	9.77%	2.9	1,572	119
CSI LATINA A. M. S.A	IT equipment	23/08/10	13.65%	2.8	1,064	198
CSI LATINA A. M. S.A	IT equipment	09/09/10	8.09%	2.9	1,571	85
CSI LATINA A. M. S.A	IT equipment	21/09/10	13.65%	2.9	260	20
CSI LATINA A. M. S.A	Machinery and equipment	10/01/08	14.61%	2.2	5,691	866
Frigorifico Extremo Sul	Meat packing plant	01/09/09	0.00%	1.9	2,740	685
	Total local currency				30,408	4,899

Consolidated

Financial institution	Leased asset	Start date	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Total amount financed	Expense at 30/09/10
	Moeda nacional					
CSI LATINA A. M. S.A	IT equipment	21/12/06	12.32%	0.01	2,727	257
CSI LATINA A. M. S.A	IT equipment	02/07/07	14.61%	2.3	1,640	236
CSI LATINA A. M. S.A	IT equipment	21/11/09	13.39%	2.1	1,206	301
CSI LATINA A. M. S.A	IT equipment	21/02/10	16.13%	2.3	4,790	1,071
CSI LATINA A. M. S.A	IT equipment	19/05/10	16.13%	2.6	5,429	810
CSI LATINA A. M. S.A	IT equipment	19/05/10	10.37%	2.6	1,718	251
CSI LATINA A. M. S.A	IT equipment	09/09/10	9.77%	2.9	1,572	119
CSI LATINA A. M. S.A	IT equipment	23/08/10	13.65%	2.8	1,064	198
CSI LATINA A. M. S.A	IT equipment	09/09/10	8.09%	2.9	1,571	85
CSI LATINA A. M. S.A	IT equipment	21/09/10	13.65%	2.9	260	20
CSI LATINA A. M. S.A	Machinery and equipment	10/01/08	14.61%	2.2	5,691	866
Frigorifico Extremo Sul	Meat packing plant	01/09/09	0.00%	1.9	2,740	685
Frigorifico Mercosul	Meat packing plant	21/09/09	IGP-M Year	3.8	100,000	3,214
Frigorifico Margem	Meat packing plant	09/10/09	IGP-M Year	3.8	164,500	6,629
Frigorifico 4 Rios	Meat packing plant	01/12/09	IGP-M Year	3.8	9,600	1,218
Frigorfico Boivi	Meat packing plant	29/12/09	IGP-M Year	4.8	6,000	315
	Total local currency				310,508	16,275

The maturities of operating leases are as follows:

	Company 30/09/10
Local currency	
Up to one year	8,603
From one to five years	12,072
More than five years	-
	20,675
Foreign currency	
Até 1 ano	1,133
De 1 ano até 5 anos	9,306
Mais de 5 anos	90
	10,529

	Consolidated 30/09/10
Local currency	
Up to one year	74,454
From one to five years	219,755
More than five years	-
	294,209
Foreign currency	
Up to one year	1,133
From one to five years	9,306
More than five years	90
	10,529

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 coming due, besides possible outstanding expenses, taxes and charges, plus a fine of 10% on the debit 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 his/her 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.

18. NOTES RECEIVABLE

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Notes payable - investments in Europa	-	-	95,805	101,320
Notes payable - investimentos Brasil	30,169	30,663	30,169	30,663
Notes payable - sponsorships	-	-	28,084	17,334
Derivatives payable	104,523	-	105,628	-
Other	979	690	33,510	3,351
Disocunt to present value	(2,050)	(2,224)	(2,050)	(2,224)
	133,621	29,129	291,146	150,444

According to significant event disclosed to the market on 23 June 2008, which informed that Marfrig acquired companies in Europe and Brazil, the Company entered into a potential payment of up to US$220 million, according to the future performance of the businesses located in Europe. This acquisition was approved at a meeting of the Company's Board of Directors held on 31 October 2008 and a Shareholders' Meeting held on 1 December 2008.

In the third quarter of 2010 the operational performance targets of the businesses located in Europe were not met, therefore the variation was due only to the accrued interest on the principal and the effects of exchange rate gains (losses).

As an offsetting entry to this obligation, the Company increased the goodwill on acquisition, as described in note 12. During 2010, upon the adoption of the pronouncements, interpretations and guidelines issued by CPC as from 31 December 2010, the total goodwill will be measured according to the provisions of CPC 15 – Business combination and disclosed according to CVM Decision No. 603/2009, with due effects on 2009 financial statements compared with 2010 financial statements.

On 8 March 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 display MARFRIG brands on the back-drop at press conferences in Brazil and abroad, and this agreement is valid from the date of execution to 31 December 2014.

On 29 March 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, products and its distribution.

On 30 March 2010, the Company signed a sponsorship agreement with Santos Futebol Clube to sponsor the club's professional and amateur men's football teams. The agreement is valid until 31 December 2010.

Under the agreement, the sponsor's brand is set to appear on the front, on the back and on the sleeves of the shirts of the teams participating in the São Paulo championships, Brazil Cup, South American Cup and Brazilian Championship in 2010.

The caption "Other", as of 30 September 2010, refers to the second instalment payable for the purchase of O'Kane Poultry, as mentioned in note 10.2.

19. PROVISIONS FOR CONTINGENCIES

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

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Labour and social security	2,182	2,236	36,337	45,255
Tax	2,214	1,813	258,895	273,034
Civil	2,201	2,625	16,411	16,389
Other	-	-	4,170	3,790
	6,597	6,674	315,813	338,468

Labour

As of 30 September 2010, the Company and its subsidiaries were parties to various labour claims. Based on the Company's and its subsidiaries' payment history, a provision of R$36,337 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 environment and commuting time, among others.

Tax

Tax contingencies refer mostly to the following taxes:

State VAT - ICMS

According to the management and its legal counsellors, all tax lawsuits of the Company are rated as a probable unfavourable outcome, totalling historical amount of R$1,785. They refer to ICMS in several states where the Company has activities. The Company is claiming the use of credits from the transfer of goods to other branches, at the historical value of R$270, and the issuance of electronic tax documents, at the historical value of R$1,515.

Federal taxes and contributions

As of 30 September 2010, there were administrative proceedings stating income omission at the historical value of R$1,233. The administrative defence was filed, which was analysed by authorities. A final report was issued establishing an amount payable of R$28, which is provided for.

Subsidiary Seara has filed administrative proceedings discussing the disallowance of refund requests of PIS/COFINS credits, totalling R$30,832. 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$124,967. That company has a tax provision in the amount of R$19,330, of which R$14,539 corresponds to administrative proceedings referring to: i) IRPJ/CSLL for the deductibility of expenses of allowance for doubtful accounts and court deposits (CPMF) in the amount of R$7,587; 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$6,350; iii) Contributions for the Brazilian Social Security Institute (INSS) on rent, classification of activities, profit sharing, INCRA and FUNRURAL[2] in the amount of R$143; iv) ICMS on transfer margins in the amount of R$249; v) ITR[3] on the value of bare land corresponding to R$210; and R$4,791 of tax risks immaterialised to date.

Dagranja is in involved in proceedings for the disallowance of PIS/COFINS credits on input taxed at zero rate in the amount of R$33,283.

Seara set up a provision for Corporate Income Tax (IRPJ) and for Social Contribution Tax (CSLL) of R$30,951 on supplementary PIS/COFINS credits related to the acquisition of agricultural inputs.

[2] Funrural = Rural Worker Assistance Fund
[3] ITR = Rural Land Tax

Civil

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. As of 30 September 2010, management, based on the opinion of legal counsellors, recognised a provision in the amount of the lawsuits classified as probable losses, totalling R$16,411.

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

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Labour and social security	33,604	33,604	106,858	109,555
Tax	137,560	67,533	255,313	154,164
Civil	914	1,276	67,354	226,027
	172,078	102,413	429,525	489,746

Among the civil lawsuits of the Company and its subsidiaries that, in the opinion of the legal counsellors, are possible losses, is the class action of the controlled company Seara, in the historical amount of R$174 thousand. They refer to preparation time, break time for the personnel who works at a refrigerated environment, commuting time, outsourcing of the business purpose and health hazard premium, among others.

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

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, overtime, preparation time, break time for personnel who works in refrigerated environment and commuting time, among others. They are considered by legal counsellors as of possible unfavourable outcome. However, the Company's management explains that individually no labour claim is significant.

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

Federal taxes and contributions

As of 30 September 2010, the Company was a party to administrative proceedings filed by the Federal Government at the total historical value of R$34,803, claiming (i) the amounts related to Corporate Income Tax, and Social Contribution Tax, Contributions for the Social Integration Program (PIS) and Contribution for Social Security Funding (COFINS), payable due to alleged omission of income, determined by cross-checking amounts stated and booked against invoices presented by suppliers, and (ii) differences in payments of PIS and COFINS debts. The total historic amount involved is approximately R$2,371 for which no provision was accrued given that legal counsellors consider the likelihood of unfavourable outcome possible, (iii) deduction of ICMS from PIS and COFINS tax bases. This last lawsuit is the most significant one, addressing a refund request at the historical value of R$32,432, for which a provision was not set up, given that according to the opinion of the legal counsellors, they are rated only as possible losses. The Company has filed administrative defences, stating its non-enforceability and that part of the debts is barred by the statute of limitations, as well as the incorrectness of their tax bases, and that inspectors estimated the amounts according to assumptions, which is forbidden in certain cases. Such defences have not been analysed yet.

Subsidiaries have administrative proceedings associated with federal tax credits offset against social security debts. The amounts are the following: Penasul R$3,162, Dagranja R$16,630, Mabella R$11,341, Pampeano R$1,339 and Agrofrango R$1,762. 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 3rd Federal Court of Appeals. 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 related to ICMS involving the Company address the administrative proceedings filed by the Finance Departments of the States of São Paulo, Goiás, Minas Gerais, Paraná, Bahia and Rio Grande do Sul that question the credits from the transfer of goods, non-compliance of accessory obligations and wrong issuance of invoices, which amount to the historical value of R$31,318. The Company is challenging the collection imposed for the lack of supporting documentation to prove the entrance of goods through the Free-Trade Zone of Manaus, at the historical value of R$685. In the State of Mato Grosso, the actions refers to the disregard of the tax regimen established with the State and the absence of issuance of electronic invoice, corresponding to R$6,551.

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 Company has filed administrative defences and appeals questioning the demand for those debts that have not been analysed yet in a definitive manner. The total historical amount claimed in these administrative proceedings is R$155,156. The discussion at the administrative level in the total amount is R$84,851. The Company has filed a lawsuit claiming the suspension of the enforceability of that credit, whose administrative phase has been finished and totals R$42,299. Among the proceedings at the administrative level which have been concluded, a court claim for taxes at the historical amount of R$28,315 has been filed which is currently suspended due to the interim relief granted to the Company. 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 correspond to the historical value of R$19,221, and are in discussion at the administrative level. Court proceedings have been filed for the actions whose administrative phase is finished.

20. DEFERRED TAX LIABILITIES

	Company		Consolidated	
	30/09/10	30/06/10	30/09/10	30/06/10
Income tax	25,232	25,726	71,000	74,168
Social contribution tax	9,083	9,262	18,781	18,871
	34,315	34,988	89,781	93,039

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

21. SHAREHOLDERS' EQUITY

a. Share capital

Subscribed and paid-in share capital as of 30 September 2010 totals R$4,061,478 and is represented by 346,983,954 common shares without par value (R$4,061,478 as of 30 June 2010). Capital, less expenditure on public and private share issue, is R$3,986,518 (3,986,547 as of 30 June 2010).

Based on CVM Resolution No. 556/08, the Company recorded under shareholders' equity the costs incurred with raising funds through public issue of shares in 2007 and 2009, and the private issue of shares made in 2008.

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 at 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 22.

b. Capital reserve

According to the "Indenture for the Second Issue of Debentures Convertible into Shares of Marfrig Alimentos S/A", the Company issued two hundred and fifty thousand (250,000) debentures, mainly convertible into shares, with unit par value of R$10, amounting to R$2,500,000. The debentures were issued on 15 July 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 percent (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 were subscribed on various dates during September, and the main debenture holder is BNDES Participações S/A.

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

The Company spent R$12,329 to issue debentures, which was recorded as a valuation allowance to the capital reserve account, according to accounting rules for capital instruments.

c. Income reserves

Statutory reserve

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

In 2009, the amount of R$33,954 was recognised as statutory reserve. Therefore, the adjusted balance as of 31 December 2009 was R$37,171, which remains unchanged as of 30 September 2010.

Appropriated retained earnings

At the Annual Shareholders' Meeting held on 30 April 2010, the appropriation of net income corresponding to R$460,183 was approved to finance part of the investments projected for 2010, whose amount is disclosed in the Management Report – item 14 - Business Projections of Results. The balance of that reserve at 30 September 2010 was R$624,992.

Treasury shares

In 2008, the Company acquired 695,600 shares for R$12,966, at an average cost of R$18.64 per share. These shares are for the stock option-based variable compensation program, as described in note 22. They will be entitled to dividends and earnings occasionally distributed by the Company. In the same year one share was transferred to one of the Board of Directors' members.

In 2009, 124,100 shares were transferred to the management of the Company, in compliance with the stock option plan described in note 22. In the same year one share was transferred to one of the Board of Directors' members.

In the nine-month period ended 30 September 2010, 169,500 shares were transferred to the management of the Company, in compliance with the stock option plan described in note 22.

As of 30 September 2010, the balance of treasury shares is 401,998, booked at the amount of R$7,492.

The value of Treasury shares was R$6,930, priced at R$17.24/share in the last trading session before 30 September 2010.

d. Asset and liability valuation adjustments

Considering CVM Resolution No. 534/08, the Company created the account subgroup "Asset and Liability Valuation Adjustments" to record exchange rate gains (losses) on corporate investments abroad. The subsidiary is an entity independent from the head office in Brazil.

e. Cumulative translation adjustments

According to Circular Letter CVM/SNC/SEP No. 01, of 30 January 2009, and CVM Resolution No. 534/08, the Company created a caption called "Cumulative Translation Adjustments" to record exchange rate gains (losses) resulting from the translation of the foreign subsidiaries' financial statements where the investee's functional currency is different from that of the controlling company.

f. Dividends

The Company's mandatory dividend is at least 25% of the adjusted net income determined in the parent company's financial statements, 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, was approved at an Annual Shareholders' Meeting by majority voting of Marfrig's shareholders and will depend on various factors. Among these factors are the Company's operating results, financial conditions, cash needs, future prospects and others which Marfrig's Board of Directors and shareholders deem relevant.

At the annual meeting held on 30 April 2010 shareholders approved the proposed-distribution of dividends for 2009, which is stated below:

Description	In thousands of reais
Net income before interest on equity capital	679,079
(-) Statutory reserve	(33,954)
Adjusted net income for dividend purposes	645,125
Mandatory dividends	161,281
(-) Net interest on equity capital (1)	(146,059)
Dividends payable	15,222

(1) The calculation of interest on equity capital is shown in note 21 (G).

g. Interest on equity capital

Article 9 of Law No. 9.249 of 26 December 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.

At the annual meeting held on 30 April 2010 shareholders approved the proposed-distribution of interest on equity capital to shareholders for 2009, which is stated below:

Description	In thousands of reais
Shareholders' equity as of 31 December 2008	2,729,851
(x) Accumulated TJLP from January to December 2009	6.2997%
Limit established by law	171,972
Capital increase in November 2009	1,296,273
(x) TJLP for December 2009	0.5000%
Limit established by law	6,481
Limit established by law - Total	178,453
Interest on equity capital	169,720
(-) Withholding income tax - IRRF	(23,661)
Interest on equity capital, net	146,059

h. Minority interest

Refers to the interest of minority shareholders in the Company's equity.

22. 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 executive officers of Marfrig Group to grow and develop to achieve maximum performance, in line with the business objectives, through a short- and long-term reward payout.

The Corporate Governance and Compensation Committee is responsible for evaluating/analysing management's compensation. The Committee is composed 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.

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 – 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 3 March 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 directors' 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.

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 run.

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

Audit Committee

The Audit Committee started its activities on 30 April 2010 after approval at the Annual Shareholders' Meeting on the same date. Fixed pay – An annual amount is set for each member and paid on a monthly basis. There is no variable pay.

Following are the amounts received in the period from 1 July to 30 September 2010:

Management compensation is made up of the compensation of 4 members of the Board of Directors (the other 4 opted for not receiving compensation as Directors), 3 members of the Audit Committee (the other 3 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 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.

	In Brazilian reais		
Department	Total compensation		Total
	Fixed	Variable	
Board of Directors	548,623	-	548,623
Management	884,412	128,143	1,012,555
Audit Committee	156,376	-	156,376
	1,589,411	128,143	1,717,554

Stock option plan

The Company has a long-term stock option-based variable compensation plan for its officers and directors, which is described in the Program Circular available in CVM/BM&FBOVESPA system and its Investor Relations website.

As of 30 September 2010 the Company's stock option plan had 81 participants.

In the period ended 30 September 2010, 169,500 shares were transferred to the management of the Company under the stock option plans, representing a negative effect on accumulated earnings for the six-month period of R$2,862.

The participation of current shareholders will not be diluted when stock options are exercised at the vesting date, up to the limit of shares held in the treasury for this purpose.

Total unexercised stock options as of 30 September 2010 were 583,432.

The fair value of the options was calculated according to the Black-Scholes method, based on TJLP (Long-Term Interest Rate) of 6% per year and with implicit volatility (adjusted beta calculated in the period from 1 October 2009 to 30 September 2010) of 89.5%. The value of the options on 30 September 2010 in the different programs and maturities was between a maximum of R$12,913 and a minimum of R$3,652 per share for board members and between a maximum of R$16,663 and a minimum of R$16,485 per share for management.

The table below shows the changes occurred in stock option plans in 2010

Closing date	30/09/2010
Price:	17.24

Stock Option Plan

	Sole beneficiaries	Stock option plan	Granting date	Performance period	Number of options granted	Number of options vested	Number of options exercised in the period	Number of options exercised or cancelled in previous years	Number of implicit shares - Outstanding options
Outstanding options on 31/12/2009	**80**				**878,330**	**144,000**	**125,700**	**-**	**752,630**
Board of Directors	3	MASTER 07-08	03/03/2008	04/03/2009	13,800	13,800	-	13,800	-
	3	MASTER 07-08	03/03/2008	04/03/2010	13,800	13,800	-	-	13,800
	3	MASTER 07-08	03/03/2008	04/03/2011	13,800	-	-	-	13,800
	3	MASTER 07-08	03/03/2008	04/03/2012	13,800	-	-	-	13,800
					-				
Board of Directors	3	MASTER 08-09	28/07/2009	04/03/2010	27,675	27,675	-	-	27,675
	3	MASTER 08-09	28/07/2009	04/03/2011	27,675	-	-	-	27,675
	3	MASTER 08-09	28/07/2009	04/03/2012	27,675	-	-	-	27,675
	3	MASTER 08-09	28/07/2009	04/03/2013	27,675	-	-	-	27,675
					-				
Executives	15	ESP II CP 08-09	28/07/2009	28/07/2009	80,200	80,200	-	80,200	-
	20	ESP I LP 07-08	28/07/2009	28/07/2009	50,000	50,000	3,500	45,500	1,000
	20	ESP I LP 07-08	28/07/2009	04/03/2010	50,000	50,000	11,500	37,600	900
	20	ESP I LP 07-08	28/07/2009	04/03/2011	50,000	-	-	-	50,000
	20	ESP I LP 07-08	28/07/2009	04/03/2012	50,000	-	-	-	50,000
	72	ESP III LP 08-09	28/07/2009	04/03/2010	108,208	108,208	23,500	79,900	4,808
	72	ESP III LP 08-09	28/07/2009	04/03/2011	108,208	-	-	-	108,208
	72	ESP III LP 08-09	28/07/2009	04/03/2012	108,208	-	-	-	108,208
	72	ESP III LP 08-09	28/07/2009	04/03/2013	108,208	-	-	-	108,208
Options granted	-	-							
Options cancelled	-	-							
Options expired	-	-							
Outstanding options on 30/09/2010	**81**				**878,932**	**343,683**	**38,500**	**257,000**	**583,432**

	Sole beneficiaries	Stock option plan	Option exercise price	Date of expiration	Option value on 30/09/2010 (Black Scholes) in R$	Market value - unvested options on 30/09/2010 (R$ thousand)	Market value - vested options outstanding on 30/09/2010 (R$ thousand)	Effects on net income as of 30/09/2010 if booked
Outstanding options on 31/12/2009	**80**					**11,013**	**118**	**(14,095)**
Board of Directors	3	MASTER 07-08	13.588	04/03/2010	3.652	-	-	-
	3	MASTER 07-08	13.588	04/03/2011	3.652	-	50	(70)
	3	MASTER 07-08	13.588	04/03/2012	5.833	81	-	(70)
	3	MASTER 07-08	13.588	04/03/2013	8.679	120	-	(70)
Board of Directors	3	MASTER 08-09	6.77830	04/03/2011	10.462	-	290	(328)
	3	MASTER 08-09	6.77830	04/03/2012	10.758	298	-	(328)
	3	MASTER 08-09	6.77830	04/03/2013	11.941	331	-	(328)
	3	MASTER 08-09	6.77830	04/03/2014	12.913	357	-	(328)
Executives	15	ESP II CP 08-09	1.03823	30/11/2009	-	-	-	-
	20	ESP I LP 07-08	0.75485	02/09/2009	16.485	-	17	(18)
	20	ESP I LP 07-08	0.75485	02/09/2010	16.485	-	15	(16)
	20	ESP I LP 07-08	0.75485	02/09/2011	16.504	825	-	(894)
	20	ESP I LP 07-08	0.75485	02/09/2012	16.548	827	-	(894)
	72	ESP III LP 08-09	0.67783	02/09/2010	16.562	-	80	(86)
	72	ESP III LP 08-09	0.67783	02/09/2011	16.579	1,794	-	(1,944)
	72	ESP III LP 08-09	0.67783	02/09/2012	16.619	1,798	-	(1,944)
	72	ESP III LP 08-09	0.67783	02/09/2013	16.663	1,803	-	(1,944)
Options granted	-	-				-	-	-
Options cancelled	-	-				-	-	-
Options expired	-	-				-	-	-
Outstanding options on 30/09/2010	**80**					**8,234**	**451**	**(9,262)**

23. INSURANCE COVER

It is the Company's policy to insure its property, plant and equipment and inventories at risk, for amounts deemed sufficient to cover possible disaster. All this is done taking into consideration the nature of its activities and the insurance advisors' opinion.

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

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

	Company		Consolidated	
Description	30/09/10	30/06/10	30/09/10	30/06/10
Meat packing buildings and facilities	874,105	874,105	6,001,861	5,822,822
Inventories and loss of profit	203,973	203,973	2,174,706	1,889,807
Third-party warehouse	76,712	76,712	316,154	316,100
Vehicles	10,056	11,181	23,470	18,622
Transportation of goods	333,333	333,333	1,210,447	1,320,761
Officers' endorsements	50,000	40,000	112,598	91,169
Civil liability	2,956	2,956	337,388	199,945
Other	675,459	535,940	827,964	576,402
	2,226,594	2,078,200	11,004,588	10,235,628

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

	Company		Consolidated	
Description	30/09/10	30/06/10	30/09/10	30/06/10
Meat packing buildings, facilities and inventories*	38,375	43,492	2,802,701	2,696,739
Loss of profit	12,792	12,792	1,360,109	1,166,787
Third-party warehouse	7,675	7,675	45,992	46,250
Vehicles	488	488	7,161	7,157
Transportation of goods	6,804	6,804	896,664	1,306,712
Officers' endorsements	14,782	14,782	91,084	91,169
Civil liability	2,956	2,956	334,929	206,989
Other	675,459	535,940	827,964	680,529
	759,331	624,929	6,366,604	6,202,332

24. FINANCIAL INSTRUMENTS - DERIVATIVES AND RISK MANAGEMENT - CONSOLIDATED

a. Overview

The Company and its subsidiaries exposed to market risks related to exchange rate gains (losses), interest rate and commodities price fluctuations of a nature considered normal to its 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 minimizing 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 percent (10%) of the Company's equity based on the last financial statements disclosed in the market, except that for amounts higher than five percent (5%) of Shareholder's equity, an additional authorization from the Company's Finance Committee is necessary.

The Company's acts mentioned in the previous paragraph are as follows: (a) Offer guarantee for the obligations of the Company's controlled companies 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 financial investments. At the same time, the maturity of the Company's long-term indebtedness is such that it does not impact a single year.

b. Interest rate risk management

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

In order to reduce debt service costs, the Company monitors market interest rates on a continuous basis to assess the need to enter into new derivative contracts to hedge its operations against the risk of fluctuations of these rates.

c. Commodity price risk management

During its activities, the Company purchases some commodities, such as: maize, soya bean meal and live cattle, 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, being influenced by domestic availability and foreign market demand.

Maize and soya bean meal are subject to volatility resulting from weather conditions, crop yield, transport costs, warehousing costs, agricultural policy, exchange rates, international prices, among others.

So as to reduce the impact over commodities, the Company manages inventory levels, keeps cattle in feedlots and trades cattle at BM&FBOVESPA.

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

d. Exchange rate risk management

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

Given that approximately 64.63% of the Company's revenues are denominated in currencies other than the Brazilian real, the Company has a natural hedge against the maturities of future obligations in foreign currency.

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

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

e. Outstanding foreign currency and derivatives position

Assets and liabilities in foreign currency are presented as follows:

COMPANY

EXPOSURE

Description	30/09/10	30/06/10	Effects of exchange rate gains (losses) on income 3rd quarter of 2010
OPERATING			
Accounts receivable	346,958	322,532	(5,063)
ACE (advance on export contracts)	(264,478)	(255,719)	3,802
Imports payable	(19,069)	(13,086)	1,400
Subtotal	63,411	53,727	139
FINANCIAL			
Loans and financing	(3,482,841)	(3,390,204)	63,009
Notes payable	(9,920)	(12,800)	(1,472)
ACC (advance on exchange contracts)	(275,117)	(376,648)	(164)
Banks and cash investments	1,101,182	238,375	34,957
Subtotal	(2,666,696)	(3,541,277)	96,330
TOTAL	(2,603,285)	(3,487,550)	96,469
Exchange rate gains			103,168
Exchange rate losses			(6,699)
Exchaneg rate gains (losses), net			96,469

	CONSOLIDATED		
EXPOSURE			
Description	30/09/10	30/06/10	Effects of exchange rate gains (losses) on income 3rd quarter 2010
OPERATING			
Accounts receivable	784,911	646,348	(46,277)
ACE (advance on export contracts)	(718,657)	(609,715)	3,802
Imports payable	(59,428)	(49,283)	(8,348)
Other	(70,745)	(30,140)	2,657
Subtotal	(63,919)	(42,790)	(48,166)
FINANCIAL			
Loans and financing	(5,494,800)	(4,719,785)	90,625
Notes payable	(51,428)	(32,197)	3,365
ACC (advance on exchange contracts)	(275,515)	(686,923)	40,822
Banks and cash investments	1,117,037	244,224	38,533
Subtotal	(4,704,706)	(5,194,681)	173,345
TOTAL	(4,768,625)	(5,237,471)	125,179
Exchange rate gain			179,804
Exchange rate loss			(54,625)
Exchange rate, net			125,179

As of 30 September 2010, outstanding derivatives are as follows:

										30/09/2010 Fair value receivable (-) payable (1) - R$ thousand	30/06/2010 Fair value receivable (-) payable (1) - R$ thousand
	Instrument	Registration	Maturity	Forward	Counterpart to the principal amount	Purchased currency	Sold currency	Notional amount USD	Notional amount R$		
Company	Currency Forward(2)	(3)	01/10/2010	1.7650	Itau BBA	USD	BRL	200,000	338,840	(14,129)	-
Company	Currency Forward(2)	(3)	01/10/2010	1.7135	Itau BBA	USD	BRL	100,000	169,420	(2,014)	-
Company	Currency Forward(2)	(3)	03/01/2011	1.7591	Itau BBA	USD	BRL	450,000	762,390	(11,901)	-
Company	Currency Forward(2)	(3)	03/01/2011	1.7583	Itau BBA	USD	BRL	150,000	254,130	(4,203)	-
Company	Currency Forward(2)	(3)	03/01/2011	1.7583	Itau BBA	USD	BRL	150,000	254,130	(4,350)	-
Company	Currency Forward(2)	(3)	03/01/2011	1.7583	Itau BBA	USD	BRL	50,000	84,710	(1,319)	-
Company	Currency Forward(2)	(3)	03/01/2011	1.7619	Itau BBA	USD	BRL	100,000	169,420	(3,088)	-
Company	Currency Forward(2)	(3)	03/01/2011	1.7583	Itau BBA	USD	BRL	50,000	84,710	(1,529)	-
Company	Currency Forward(2)	(3)	03/01/2011	1.7664	Itau BBA	USD	BRL	100,000	169,420	(3,128)	-
Company	Currency Forward(2)	(3)	03/01/2011	1.7588	Itau BBA	USD	BRL	100,000	169,420	(2,697)	-
Company	Currency Forward(2)	(3)	03/01/2011	1.7528	Itau BBA	USD	janet	300,000	508,260	(8,156)	-
							Sub Total	1,750,000	2,964,850	(56,514)	-
Subsidiary	Currency Forward(2)	(3)	16/11/2010	1.7627	Itau BBA	USD	BRL	5,000	8,471	(284)	-
Subsidiary	Currency Forward(2)	(3)	01/11/2010	1.7565	Itau BBA	USD	BRL	10,000	16,942	(557)	-
Subsidiary	Currency Forward(2)	(3)	15/10/2010	1.7497	Itau BBA	USD	BRL	5,000	8,471	(268)	-
Subsidiary	Currency Forward(2)	(3)	01/10/2010	1.7140	Citibank	BRL	USD	4,000	6,777	79	-
Subsidiary	US dollar futures	BMF	01/10/2010	1.8543	BMF	USD	BRL	6,000	10,165	(63)	-
Subsidiary	US dollar futures	BMF	01/11/2010	1.8300	BMF	USD	BRL	4,000	6,777	(13)	-
							Sub Total	34,000	57,603	(1,106)	-
							Total	1,784,000	3,022,453	(57,619)	-

(1) The fair value informed is determined through the mark-to-market method (MTM) , which consists in determining the future value based on agreed conditions and discounting that to present value based on the market curves, extracted from Bloomberg's and BM&FBOVESPA's database;

(2) The Currency Forward is similar to a NDF transaction

(3) Bilateral/over-the-counter transaction. It is not registered with a custody/clearance chamber

In the table below the "Swap with lower limitator" was disclosed as of 30 June 2010 as "US dollar call option" These instruments are basically options, because if the US dollar rate at the contract's maturity date is lower than the spot rate of the contract date the Company pays for a maximum liability, i.e. it is equivalent to an option premium.

Starting in this third quarter, the Company decided to disclose these transactions using the same terms of the contracts, i.e. "Swap with lower limitator". This change has no impacts on the measurement and risk of these derivatives.

Instrument	Record	Maturity	Receivable	Payable	Counterparty of principal amount	Nocional value USD (2)	Nocional value R$ (2)	30/09/2010 Fair value receivable (-) payable R$ thousand (1)	30/06/2010 Fair value receivable (-) payable R$ thousand (1)
Interest rate swap	(3)	02/08/2012	Libor above 2.02%	Libor below 2.02%	BB Londres	16,800 (2)	28,463 (2)	(321)	(445)
Interest rate swap	(3)	25/02/2011	Libor above 1.83%	Libor below 1.83%	BB Londres	20,000 (2)	33,884 (2)	(222)	(399)
Interest rate swap	(3)	22/02/2012	Libor above 2.08%	Libor below 2.08%	BB Londres	30,000 (2)	50,826 (2)	(890)	(988)
Interest rate swap	(3)	14/02/2013	Libor above 2.40%	Libor below 2.40%	BB Londres	39,500 (2)	66,921 (2)	(2,412)	(2,462)
Interest rate swap	(3)	20/03/2013	Libor above 2.38%	Libor below 2.38%	BB Londres	10,500 (2)	17,789 (2)	(630)	(626)
Interest rate swap	(3)	06/03/2015	Libor above 2.18%	Libor below 2.18%	BB Londres	75,000 (2)	127,065 (2)	(3,166)	(2,109)
Interest rate swap	(3)	24/12/2012	Libor above 2.10%	Libor below 2.10%	BB Londres	30,000 (2)	50,826 (2)	(919)	(666)
Interest rate swap	CETIP	14/08/2014	Libor above 1.94%	Libor below 1.94%	Citibank	100,000 (2)	169,420 (2)	(4,157)	(3,160)
Interest rate swap	CETIP	14/08/2014	Libor above 2.00%	Libor below 2.00%	Citibank	160,000 (2)	271,072 (2)	(8,630)	(6,355)
Swap with lower limitator*	CETIP	01/10/2010	100% dolar PTAX with lower limitator 1.01896405	23.4176% p.a.	Itau BBA	100,000	169,420	(5,969)	-
Swap with lower limitator*	CETIP	01/10/2010	100% dolar PTAX with lower limitator 1.01896405	23.4176% p.a.	Itau BBA	100,000	169,420	(5,858)	-
Swap with lower limitator*	CETIP	01/10/2010	100% dólar PTAX with lower limitator 1.02349278	25.7658% p.a.	Itau BBA	100,000	169,420	(5,809)	-
Swap with lower limitator*	CETIP	01/10/2010	100% dolar PTAX with lower limitator 1.01309227	20.2934%p.a	Itau BBA	100,000	169,420	(5,153)	-
Swap with lower limitator*	CETIP	01/10/2010	100% dólar PTAX with lower limitator 1.01949797	28.0184% p.a.	Itau BBA	100,000	169,420	(3,871)	-
					Total	981,800	1,663,366	(48,009)	(17,210)

(1) The fair value informed is determined through the mark-to-market method (MTM) that consists in determining the future value based on agreed conditions and discounting that to present value based on the market curves, extracted from Bloomberg's and BM&FBOVESPA's database.

(2) The notional value is not conditioned to a hedge operation. It is only the basis for the payment flows, which are pegged to LIBOR, which in its turn is fixed.

(3) Bilateral/over-the-counter transaction. It is not registered with a custody/clearance chamber.

*operations have lower limitator and their behavior is similar to call option

The tables below consider three scenarios. The probable scenario reflects fair value on 30 September 2010. In addition to probable scenario, CVM Instruction No. 475/08 determined the presentation of two other scenarios deteriorated by 25% and 50% of risk variable considered. The source of information was Bloomberg.

The market future curve of 30 September 2010 was applied for currencies, with reference value of R$/US$ 1.6866. The interest rate considered the value on 30 September 2010 for 1 month Libor at 0.256%, for 3-month Libor at 0.29%, and for 6-month Libor at 0.462%.

On both cases, the future curve was used to calculate the probable scenario and deteriorated at 25% and 50%, and discounted to present value.

STRESS SCENARIO - CURRENCY FORWARDS**

	Amount US$ Thousand	Maturity	Strike R$/US$	Probable scenario R$Thousand	Possible scenario R$Thousand	Remote scenario R$Thousand
Company	200.000	1/10/2010	1,7650	(14.129)	(59.001)	(108.786)
Company	450.000	3/1/2011	1,7591	(2.014)	(125.017)	(239.091)
Company	150.000	3/1/2011	1,7583	(11.901)	(41.601)	(79.626)
Company	150.000	3/1/2011	1,7583	(4.203)	(41.601)	(79.626)
Company	50.000	3/1/2011	1,7583	(4.350)	(13.867)	(26.542)
Company	100.000	3/1/2011	1,7619	(1.319)	(27.944)	(53.294)
Company	50.000	3/1/2011	1,7583	(3.088)	(13.867)	(26.542)
Company	100.000	3/1/2011	1,7664	(1.529)	(28.212)	(53.562)
Company	100.000	3/1/2011	1,7588	(3.128)	(27.761)	(53.111)
Company	300.000	3/1/2011	1,7528	(2.697)	(82.232)	(158.281)
Company	100.000	1/10/2010	1,7135	(8.156)	(26.461)	(51.353)
			Sub Total	(56.514)	(487.564)	(929.814)
Subsidiary	5.000	16/11/2010	1,7627	(284)	(1.436)	(2.692)
Subsidiary	10.000	1/11/2010	1,7565	(557)	(2.854)	(5.358)
Subsidiary	5.000	15/10/2010	1,7497	(268)	(1.424)	(2.670)
Subsidiary	4.000	1/10/2010	1,7140	79	1.060	2.055
Subsidiary	6.000	1/10/2010	1,8543	(63)	(2.086)	(3.580)
Subsidiary	4.000	1/11/2010	1,8300	(13)	(1.315)	(2.317)
			Sub Total	(1.106)	(8.055)	(14.562)
			Total	(57.619)	(495.620)	(944.376)

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

The sensitivity analysis between derivatives and hedged item of the table below (foreign currency exposed loans and financing) was calculated for the period between the contract day and maturity, discounted to present value.

Hedge derivatives

Transaction	Probable scenario	Possible scenario	Remote scenario
	R$ Thousand	R$ Thousand	R$ Thousand
Currency forwards	(56,514)	(487,564)	(929,814)
Debt in foreign currency*	96,107	1,400,095	2,878,777
Net exposure	**39,593**	**912,531**	**1,948,963**

* All foreign currency exposed contracts held by the Company

The sensitivity analysis of swap contracts is as follows.

SWAP STRESS SCENARIO**				
Notional	Maturity	Probable scenario	Possible scenario	Remote scenario
US$ Thousand		R$Thousand	R$Thousand	R$Thousand
16,800	02/08/2012	(321)	(265)	(288)
20,000	25/02/2011	(222)	(158)	(167)
30,000	22/02/2012	(890)	(718)	(790)
39,500	14/02/2013	(2,412)	(1,901)	(2,051)
10,500	20/03/2013	(630)	(775)	(818)
75,000	06/03/2015	(3,166)	(2,829)	(3,829)
30,000	24/12/2012	(919)	(741)	(816)
100,000	14/08/2014	(4,157)	(4,545)	(4,935)
160,000	14/08/2014	(8,630)	(9,453)	(10,245)
100,000	01/10/2010	(5,969)	(5,969)	(5,969)
100,000	01/10/2010	(5,858)	(5,858)	(5,858)
100,000	01/10/2010	(5,809)	(5,809)	(5,809)
100,000	01/10/2010	(5,153)	(5,153)	(5,153)
100,000	01/10/2010	(3,871)	(3,871)	(3,871)
		(48,009)	(48,045)	(50,598)

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

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

In the period ended 30 September 2010, net financial expenses from derivatives totalled R$158,587, with R$174,648 relating to expenses and R$16,061 relating to income.

Liabilities recorded as “Notes payable” in the balance sheet for derivative transactions conducted for asset protection purposes, are stated as follows:

	Company		Consolidated	
	30/09/10	30/06/2010*	30/09/10	30/06/2010*
Interest rate swap	(21,348)	(17,210)	(21,348)	(17,210)
Swap with lower limitator	(26,661)	(3,187)	(26,661)	(3,187)
Forward currency and US dollar futures	(56,514)	-	(57,619)	-
	(104,523)	(20,397)	(105,628)	(20,397)

* As of 30 June 2010 the fair value of the derivatives entered into are stated under the caption “loans and financing”. The Management decided not to reclassify these comparative balances to the account "notes payable", for considering that they do not affect the reliability and materiality of the financial statements.

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

25. INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes were calculated according to prevailing legislation and the Temporary Taxation Regime, provided for in Executive Act No. 449/2008.

Income and social contribution tax assessments and their respective tax returns, when required, are open to review by tax authorities for periods and terms different from the respective tax return filing or payment dates.

Reconciliation of tax charges between effective and statutory rates is as follows:

Tax		Company		Consolidated	
		30/09/10	30/06/10	30/09/10	30/06/10
Income (loss) before tax effects		76,738	88,391	(138,461)	(85,243)
Add-backs					
Add-backs of corporate income tax (IRPJ)		252,976	136,903	516,165	323,075
Add-backs of social contribution tax (CSLL)		234,008	117,935	494,049	303,032
(-) Deductions		-	(431,262)	-	(833,743)
(-) Deductions of IRPJ		(502,459)		(1,055,089)	
(-) Deductions of CSL		(502,459)		(1,046,611)	
Tax basis					
Income tax basis		(172,745)	(205,968)	(677,386)	(595,911)
Social contribution tax basis		(191,713)	(224,936)	(691,024)	(615,953)
(-) Income tax loss carry forwards		-		(730)	
(-) Social contribution tax loss carry forwards		-		(726)	
Calculation base after carry forwards					
Calculation base after carry forwards IRPJ		172,745	(205,968)	36,927	69,439
Calculation base after carry forwards CSL		191,713	(224,936)	17,081	69,439
Income tax (15%)		-	-	(5,537)	(10,414)
Surtax (10%)		-	-	(3,701)	(6,902)
(-) PAT		-	-	10	51
Total income tax		-	-	(9,228)	(17,265)
Social contribution tax (9%)		-	-	(1,537)	(6,250)
		-	-	(10,765)	(23,515)
(-) Rate difference on foreign results		-	-	(12,379)	9,133
Effect on the statement of operations		-	-	(23,144)	(14,382)

Tax	Group	30/09/10	30/06/10	30/09/10	30/06/10
(-) Income tax - current	Current liabilities	-	-	(21,607)	(12,605)
Tax paid abroad		-	-	-	(3,402)
Income tax - provision for contingencies	Non-current liabilities			(19,836)	
Deferred tax assets - Revaluation (1)	Non-current liabilities	1,540	1,046	(963)	(2,699)
Deferred tax assets - Assets (2)	Non-current assets	43,821	57,014	268,394	236,503
Other provisions	Non-current liabilities	-	-	(25,467)	(39,729)
Net	Income	45,361	58,060	200,521	178,068
(-) Social contribution tax- current	Current liabilities	-	-	(1,537)	(1,777)
contingencies	Non-current liabilities			(7,524)	
(1)	Non-current liabilities	(1,456)	375	(1,456)	414
Deferred social contribution tax - other (2)	Non-current assets	17,484	22,233	83,265	73,946
Other provisions	Non-current liabilities	-	-	351	(5,799)
Net	Income	16,028	22,608	73,099	66,784

(1) Refer to the reversal of deferred income and social contribution taxes stated in note 20, considering the addition of depreciation of revalued assets to taxable income and the social contribution tax basis.

(2) Refer to deferred income and social contribution taxes calculated on: taxes whose payment has been suspended (provisions), and which were added to the calculation of the taxable income and the social contribution tax basis; utilization for tax purposes of the goodwill paid on future profitability and income and social contribution tax losses, which are stated in note 9.

26. 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 to develop social projects.

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

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

Meetings are held with the presence of the Company's officers, where environmental projects are defined and goals established. Among the greenhouse pollutant emission reduction projects in progress (carbon credits), we can highlight: (i) generation of electricity from biomass; (ii) use of tallow in the burners in the plants, instead of fossil fuels; and (iii) treatment of effluents in anaerobic reactors (biodigestors) with capture and burn of the methane gas. Besides, effluent treatment was implemented through biodigestors in the plants of Bataguassu, Porto Murtinho, Tangará da Serra, Promissão I and II. If determined feasible in the development researches, it will also be implemented in the plants in Mineiros, Chupinguaia, Paranatinga and São Gabriel.

In relation to the purchase of cattle, the Company follows the policy of not acquiring it from farms included in the list of areas embargoed by Administrative Act No. 19, of IBAMA (Brazilian Institute of Environment and Natural Resources) of 2 July 2008 and Decree 6,321 of 21 December 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 15 October 2004), proactively acting in relation to producers who violate current laws and arranging their prompt withdrawal from the list of suppliers of animals for slaughter.

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

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

The Company is committed to work in partnership with state governments, in special with the government of the State of Mato Grosso, in the Program *MT Legal* and with the Brazilian society in the development of a program to guarantee the origin of the animals, including the adhesion of the suppliers that make the fattening of cattle with animals from other properties, 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 will also be 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 controlled companies in Argentina and Uruguay. Making the results of the abovementioned programs available for consultation.

Implementing a social-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 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.

27. SUBSEQUENT EVENTS

On 1 October 2010, the Company concluded the acquisition of 100% of the shares issued by Keystone Foods (according to Relevant Fact disclosed on 14 June 2010), after approval by anti-trust agencies. Keystone Foods is a company that operates worldwide in the development, production, trading and distribution of chicken, fish, pork and beef food, and is specialized in the food services. The Company also informed that after the fulfilment of all legal requirements and conclusion of the corresponding valuation report, it will inform its shareholders and the market in general whether the events meet the requirements of article 256 of Law No. 6.404/76.

The acquisition amount was US$1.26 billion (Company's value). To finance the acquisition and at the same time maintain its balance sheet flexible, MARFRIG issued R$2.5 billion (approximately USD1.3 billion) through a private subscription of debentures mandatorily convertible into shares, which details are disclose in note 21, item b.

On 8 October 2010, the Company informed that its shares now comprise the Brazil Index 50 (Ibrx-50), representing 0.357%, and based on the portfolio of 08 October 2010. The Ibrx-50 an index which measures the total return on a theoretical portfolio composed of 50 stocks selected among BM&FBOVESPA's most actively traded securities in terms of liquidity, weighted according to their number of shares outstanding. This index was designed to serve as a benchmark for investors and portfolio managers, and also to allow the launching of derivatives (futures, options on futures and options on index).

On 8 November, the Company was awarded in two categories of "Prêmio Produz Brasil 2010" - directed to companies of the livestock farming industry which develop projects that unite economic growth with sustainability. The two categories were: 1st place in Environmental Responsibility with the Project Biodigestors Diamantina MT and 2nd place in Social Responsibility with the Environmental Project Biome Amazônia. The award "Prêmio Produz Brasil 2010" is a national recognition and incentive to sustainable production in Brazil, and aims to award cases of social and environmental responsibility, investments in innovation, technology and mainly to recognise the value of companies that make Brazilian agribusiness one of the strongest industries in the world.