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

MARFRIG ALIMENTOS S.A.

INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 (THREE) MONTH PERIOD ENDING 30 JUNE, 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 3 (THREE) MONTH PERIODS ENDED JUNE 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 June 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, 13 August 2010

José Luiz Sanches
Engagement Partner
BDO Auditores Independentes

Esmir de Oliveira
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 JUNE 2010 AND 31 MARCH 2010
(In thousands of Brazilian reais)

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
ASSETS				
Current assets				
Cash and cash equivalents (note 4)	719,636	1,056,479	2,028,812	1,543,840
Trade accounts receivable - domestic (note 5)	428,700	432,108	866,022	871,256
Trade accounts receivable - foreign (note 5)	66,813	30,803	36,633	99,804
Inventories of goods and merchandise (note 6)	1,167,453	1,056,168	2,761,024	2,539,529
Recoverable taxes (note 7)	534,193	437,125	986,536	897,938
Deferred taxes (note 9)	19,468	19,468	39,133	27,470
Prepaid expenses	5,504	1,773	53,812	43,963
Notes receivable (note 8)	81,000	49,200	-	-
Other receivables	738	491	738	491
Total current assets	3,023,505	3,083,615	6,772,710	6,024,291
Non-current assets				
Long-term assets				
Financial investments (note 4.2)	386	379	2,252	2,838
Compulsory deposits	17,256	15,915	26,750	25,419
Notes receivable (note 8)	615,309	927,450	5,482	5,476
Deferred taxes (note 9)	232,804	205,052	515,774	312,148
Recoverable taxes (note 7)	290,845	290,845	756,438	637,215
Other receivables	4,550	590	69,480	78,428
	1,161,150	1,440,231	1,376,176	1,061,524
Investments (note 10)	3,919,250	3,256,817	1,152	971
Property, plant and equipment (note 11)	1,045,971	1,044,267	3,224,849	3,202,947
Intangible assets (note 12)	550,102	530,590	2,695,614	2,606,255
Deferred charges (note 13)	-	-	10,211	10,819
	5,515,323	4,831,674	5,931,826	5,820,992
Total noncurrent assets	6,676,473	6,271,905	7,308,002	6,882,516
Total assets	9,699,978	9,355,520	14,080,712	12,906,807

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
LIABILITIES				
Current liabilities				
Trade accounts payable	145,602	98,743	1,166,713	1,059,613
Accrued payroll and related charges (note 14)	104,235	84,308	378,167	319,811
Taxes payable (note 15)	19,655	19,391	174,845	154,195
Loans and financing (note 16)	1,352,809	1,198,877	2,078,856	2,114,161
Notes payable (note 18)	29,129	31,076	150,444	80,944
Lease payable (note 17)	49,003	47,781	62,959	61,506
Dividends payable (note 21e)	15,222	15,222	15,222	15,222
Interest on equity capital (note 21f)	146,059	146,059	146,059	146,059
Other payables	8,049	1,861	14,448	39,369
Total current liabilities	1,869,763	1,643,318	4,187,713	3,990,880
Non-current liabilities				
Loans and financing (note 16)	3,220,302	3,183,462	4,563,817	3,660,903
Taxes payable (note 15)	85,867	84,870	273,948	269,983
Deferred taxes (note 20)	34,988	35,698	93,039	95,265
Provisions for contingencies (note 19)	6,674	6,558	338,468	392,027
Lease payable (note 17)	46,205	56,546	68,434	82,724
Other	100,032	134,693	145,355	122,848
Total non-current liabilities	3,494,068	3,501,827	5,483,061	4,623,750
Minority interest	-	-	73,791	81,802
Shareholders' equity (note 21)				
Capital stock	4,061,478	4,061,478	4,061,478	4,061,478
Share issuance expenses	(74,931)	(74,512)	(74,931)	(74,512)
Income reserves	653,952	653,275	653,952	653,275
Statutory reserve	37,171	37,171	37,171	37,171
Appropriated retained earnings	624,992	624,992	624,992	624,992
Treasury shares	(8,211)	(8,888)	(8,211)	(8,888)
Asset and liability valuation adjustment	(478,722)	(489,570)	(478,722)	(489,570)
Accumulated translation adjustments	5,311	18,020	5,311	18,020
Retained earnings	169,059	41,684	169,059	41,684
	4,336,147	4,210,375	4,336,147	4,210,375
Total liabilities and shareholders' equity	9,699,978	9,355,520	14,080,712	12,906,807

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 PERIOD ENDED 30 JUNE 2010 AND 2009 AND FOR THE SECOND QUARTER OF 2010 AND 2009.
(In thousands of Brazilian reais, except earnings per share)

	Company				Consolidated			
	2nd Quarter 2010	Accumulated 2010	2nd Quarter 2009	Accumulated 2009	2nd Quarter 2010	Accumulated 2010	2nd Quarter 2009	Accumulated 2009
GROSS SALES	954,881	1,798,077	654,089	1,218,183	3,770,333	7,202,242	2,572,357	5,017,884
Domestic market	575,559	1,121,888	424,176	797,388	2,140,877	4,095,536	1,658,420	3,141,642
Foreign market	379,322	676,189	229,913	420,795	1,629,456	3,106,706	913,937	1,876,242
DEDUCTIONS FROM GROSS SALES	(30,991)	(79,171)	(44,059)	(104,975)	(211,664)	(421,085)	(168,365)	(363,018)
Sales taxes	(1,009)	(1,487)	(21,955)	(53,252)	(120,054)	(225,303)	(86,761)	(184,416)
Returns and discounts	(29,982)	(77,684)	(22,104)	(51,723)	(91,610)	(195,782)	(81,604)	(178,602)
NET SALES	923,890	1,718,906	610,030	1,113,208	3,558,669	6,781,157	2,403,992	4,654,866
Cost of goods sold	(675,878)	(1,335,522)	(466,210)	(825,115)	(2,926,354)	(5,508,329)	(2,079,781)	(4,017,273)
GROSS INCOME	248,012	383,384	143,820	288,093	632,315	1,272,828	324,211	637,593
OPERATING REVENUES (EXPENSES)	(149,100)	(294,993)	335,478	142,888	(719,565)	(1,358,071)	165,498	(225,443)
Commercial expenses	(60,788)	(110,506)	(39,973)	(77,293)	(348,042)	(618,448)	(154,317)	(310,250)
Administrative and general expenses	(29,487)	(54,900)	(21,375)	(40,161)	(109,517)	(210,875)	(72,153)	(138,890)
Equity in earnings of subsidiaries	122,758	289,044	21,592	29,619	-	-	-	-
Other operating revenues (expenses)	6,257	16,033	1,855	2,052	(466)	38,380	20,129	30,377
Financial income (loss)	(187,840)	(434,664)	373,379	228,671	(261,540)	(567,128)	371,839	193,320
Financial income	20,052	52,662	28,110	49,897	24,583	65,462	35,006	63,205
Exchange gain	3,315	12,709	438,431	447,826	13,485	29,111	502,576	508,528
Financial expenses	(138,318)	(277,686)	(88,426)	(221,901)	(205,951)	(400,891)	(123,516)	(292,339)
Exchange loss	(72,889)	(222,349)	(4,736)	(47,151)	(93,657)	(260,810)	(42,227)	(86,074)
OPERATING INCOME (EXPENSES)	98,912	88,391	479,298	430,981	(87,250)	(85,243)	489,709	412,150
INCOME (LOSS) BEFORE TAXES	98,912	88,391	479,298	430,981	(87,250)	(85,243)	489,709	412,150
PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES	28,463	80,668	(76,272)	(64,108)	207,092	244,852	(79,867)	(39,810)
Income tax	20,888	58,060	(50,978)	(42,023)	150,604	178,068	(57,630)	(30,414)
Social contribution tax	7,575	22,608	(25,294)	(22,085)	56,488	66,784	(22,237)	(9,396)
INCOME BEFORE REVERSAL OF INTEREST ON EQUITY CAPITAL	127,375	169,059	403,026	366,873	119,842	159,609	409,842	372,340
Reversal of interest on equity capital	-	-	-	-	-	-	-	-
INCOME (LOSS) BEFORE MINORITY INTEREST	127,375	169,059	403,026	366,873	119,842	159,609	409,842	372,340
Minority interest	-	-	-	-	7,533	9,450	(4,803)	(5,467)
NET INCOME	127,375	169,059	403,026	366,873	127,375	169,059	405,039	366,873
EARNINGS PER THOUSAND SHARES	367.09	487.22	1,504.14	1,369.22	367.09	487.22	1,511.66	1,369.22

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)

	Capital stock	Share issuance expenses	Income reserve	Asset and liability valuation adjustment	Accumulative translation adjustments	Retained earnings	Total
AS OF 31 MARCH 2010	4,061,478	(74,512)	653,275	(489,570)	18,020	41,684	4,210,375
Expenses on private issue of shares	-	(419)	-	-	-	-	(419)
Exchange variation on net investments	-	-	-	10,848	-	-	10,848
Exchange variation - balance sheet translation	-	-	-	-	(12,709)	-	(12,709)
Write-off of treasury shares	-	-	677	-	-	-	677
Net income	-	-	-	-	-	127,375	127,375
AS OF 30 JUNE 2010	4,061,478	(74,931)	653,952	(478,722)	5,311	169,059	4,336,147

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 JUNE 2010 AND 2009
AND FOR THE SECOND QUARTER OF 2010 AND 2009
(In thousands of Brazilian reais)

	Company				Consolidated			
	2nd Quarter 2010	Accumulated 2010	2nd Quarter 2009	Accumulated 2009	2nd Quarter 2010	Accumulated 2010	2nd Quarter 2009	Accumulated 2009
Net income	127,375	169,059	403,026	366,873	127,375	169,059	405,039	366,873
Non-cash items	54,077	75,249	(313,004)	(208,813)	68,372	337,838	(255,601)	(88,488)
Depreciation	15,730	31,093	14,581	28,823	79,221	146,139	57,081	111,671
Amortisation	-	-	-	-	32,742	65,128	8,443	16,469
Minority interest	-	-	-	-	(7,533)	(9,450)	4,803	5,467
Provision for contingencies	116	116	-	-	(57,327)	(100,085)	842	13,276
Deferred taxes	(28,462)	(80,669)	63,754	51,590	(228,024)	(270,338)	60,788	14,369
Equity in earnings of subsidiaries	(122,758)	(289,044)	(21,592)	(29,619)	-	-	-	-
Exchange variance on financing agreements	73,743	215,462	(422,216)	(430,176)	87,484	244,687	(492,226)	(488,958)
Exchange variation on other asset and liability accounts	1,031	(5,822)	(11,479)	29,501	(2,112)	(12,988)	31,877	66,504
Interest expense on financing debts	108,201	192,358	59,798	132,447	147,711	254,383	69,000	165,134
Interest expense on finance lease	6,348	12,174	5,318	9,819	6,685	12,744	5,063	10,367
Write-off of property, plant and equipment	128	(419)	(1,168)	(1,198)	9,525	7,618	(1,272)	(2,787)
Changes in shareholders' equity	(434,250)	(439,631)	(225,442)	(594,936)	(152,294)	(296,597)	(264,861)	(308,069)
Trade accounts receivable	(32,601)	199,879	(118,188)	(84,182)	64,026	404,065	(121,356)	(21,083)
Inventories	(111,285)	(153,732)	(74,635)	(169,154)	(229,350)	(425,481)	(61,709)	(114,350)
Court deposits	(1,341)	(1,662)	(463)	(125)	(1,329)	(1,769)	(834)	(906)
Accrued payroll and related charges	19,927	34,091	12,099	25,097	62,769	105,780	29,856	53,355
Trade accounts payable	67,632	15,858	29,814	34,368	121,096	102,474	35,602	55,105
Taxes	(95,807)	(145,521)	(33,950)	(59,549)	(172,589)	(452,613)	(50,902)	(138,889)
Notes receivable and payable	(225,888)	(301,051)	(66,089)	(327,106)	45,242	66,351	(32,455)	(30,600)
Other asset and liability accounts	(54,887)	(87,493)	25,970	(14,285)	(42,159)	(95,404)	(63,063)	(110,701)
Net cash provided by (used in) operating activities	(252,798)	(195,323)	(135,420)	(436,876)	43,453	210,300	(115,423)	(29,684)
Cash flows from investing activities								
Investments	(32,928)	(1,367,187)	(15,429)	(18,691)	(49)	(612,113)	(26,289)	(186,965)
Exchange variation on investments	-	-	(30,573)	-	-	-	(30,573)	-
Investments in property, plant and equipment	(36,730)	(78,859)	(18,706)	-	(137,422)	(286,355)	(89,844)	(164,141)
Exchange variation on property, plant and equipment	-	-	-	(35,261)	-	-	(7,203)	-
Investments in intangible assets	(344)	(366)	(221)	(370)	(51,516)	(755,786)	(112)	(501)
Exchange variation on intangible assets	-	-	-	-	-	-	(4,898)	-
Net cash used in investing activities	(70,002)	(1,446,412)	(64,929)	(54,322)	(188,987)	(1,654,254)	(158,919)	(351,607)
Cash flows from financing activities								
Loans and financing	1,166	(234,482)	262,132	543,348	643,864	472,937	488,638	669,518
Loans taken out by the Company	320,355	826,696	647,552	1,248,518	1,406,363	2,695,485	945,058	1,821,630
Loans repaid by the Company	(319,189)	(1,061,178)	(385,420)	(705,170)	(762,499)	(2,222,548)	(456,420)	(1,152,112)
Lease payable	(15,467)	(32,986)	(15,899)	(30,072)	(16,972)	(38,561)	(14,030)	(31,905)
New leases	415	789	312	380	(5,405)	(2,060)	2,906	4,948
Paid leases	(15,882)	(33,775)	(16,211)	(30,452)	(11,567)	(36,501)	(16,936)	(36,853)
Treasury shares	677	2,442	-	-	677	2,442	-	-
Issuance of shares and share issuance expenses	(419)	(3,328)	-	-	(419)	(3,328)	-	-
Net cash provided by (used in) financing activities	(14,043)	(268,354)	246,233	513,276	627,150	433,490	474,608	637,613
Exchange variation on cash and cash equivalents	-	-	-	-	3,357	5,839	(40,978)	(43,616)
Cash flows in the period	(336,843)	(1,910,089)	45,884	22,078	484,973	(1,004,625)	159,288	212,706
Cash, bank accounts and short-term financial investments								
Ending balance	719,636	719,636	796,238	796,238	2,028,813	2,028,813	1,284,370	1,284,370
Beginning balance	1,056,479	2,629,725	750,354	774,160	1,543,840	3,033,438	1,125,082	1,071,664
Variation in the period	(336,843)	(1,910,089)	45,884	22,078	484,973	(1,004,625)	159,288	212,706

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

MARFRIG ALIMENTOS S.A.

NOTES TO THE INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE AND 31 MARCH 2010.
(In thousands of Brazilian reais)

1. OPERATIONS

Marfrig Alimentos S.A. (the "Company"), is a publicly held company that carries out foodstuff production and meat packing activities consisting of cattle, pig, sheep and poultry slaughtering; industrial processing, distribution, import, export and marketing of animal products and by-products, whether edible or not, at their 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. 20788 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 (Bovespa) under code No. MRFG3. On 28 April 2009, the Company's name was changed to Marfrig Alimentos S.A. 30 June 2010, the Company's subscribed and paid-in capital stock consisted of 346,983,954 common shares, of which 150,903,836 shares or 43.49% is under control of MMS Participações S.A. and 196,080,118 shares or 56.51% are traded ("*free float*") in the capital market. MMS Participações S.A. is controlled by Marcos Antonio Molina dos Santos and Márcia Aparecida Pascoal Marçal dos Santos, each holding 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 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:

- Beef and Food Service Divisions – Brazil:

  - Marfrig Alimentos S.A. (Brazil) - made up of 10 cattle slaughtering units, 3 beef processing units, 1 leather processing plant, 1 hygiene and cleaning product plant and 4 fattening facilities 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., is composed of 13 cattle slaughtering units, 1 of them also used for the slaughtering of sheep, as well as 2 beef processing and industrialization units, 1 of them located in the slaughtering unit of Rio Verde – State of Goiás. The mentioned units 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)), an enterprise that produces canned meat and other industrialized products in Rio Grande do Sul.

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

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

- Division Nova Seara - 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 that together hold 100% of Frigorífico Mabella Ltda. (Brazil)). Mabella operates a pig-slaughtering unit in the State of Santa Catarina and one pig slaughtering and pork processing unit in the State of Rio Grande do Sul. It is also responsible for Marfrig's poultry and pig 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 7 poultry slaughtering plants and 7 poultry processing units in the States of Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Minas Gerais and Distrito Federal.

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

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

    Brusand Ltd. (Bermuda) –holding company which owns 100% of Penasul UK Ltd. (company located in England), which in turn own 10 full subsidiaries located in England – 100%.

- Argentine division:

  - Argentine Breeders & Packers S.A. (Argentina), with 3 cattle slaughtering plants (including positions whereby it holds 100% of Best Beef S.A. companies. (Argentina), Estâncias del Sur S.A. (Argentina) and Mirab S.A. (Argentina), 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 the PATY brand, a leader in the Argentine, Uruguayan and Chilean hamburger markets, with two slaughtering plants and three units of beef processed products – 81.48%.

- Uruguay Division:

  - Frigorífico Tacuarembó S.A. (Uruguay), which operates a cattle slaughtering and beef processing unit – 93.45%;

  - Inaler S.A. (Uruguay), cattle and sheep slaughtering unit – 100%;

  - Marfrig Chile S.A. (Chile), operating a lamb packing plant in Patagonia and a meat deboning and trading unit which operates in the Chilean market – 99.47%. Marfrig Chile merged the companies Quinto Cuanto S.A. and PBP Chile Limitada, which were previously its controlled companies;

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

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

  - Columbus Netherlands B.V. (Uruguay), which holds 51% of Zenda Group (Uruguay), which produce 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), a *trading* company which operates in the European market and holds 100% of CDB Meats Ltd (United Kingdom), producer of processed meat – 100%

  - Marfrig Holdings (Europe) – BV (The Netherlands) that holds 100% of Moy Park Holdings (Europe) Limited (company headquartered in Northern Ireland), holds 100% of Moy Park Group and Kitchen Range Foods Ltd (England), which operated 3 poultry slaughtering plants and eight processed product plants in England, Northern Ireland, France and The Netherlands – 100%

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The individual and consolidated financial statements are expressed in Brazilian reais. They have been prepared in accordance with Brazilian accounting practices, which comprise Brazilian Corporate Law (Law No. 6,404/76), the pronouncements, guidelines and interpretations issued by the Committee of Accounting Pronouncements (CPC), approved by the Brazilian Securities and Exchange Commission (CVM) as well as other pronouncements issued by that federal agency.

2.1. NEW LEGISLATION AND CHANGES IN THE ACCOUNTING PRACTICES ADOPTED IN BRAZIL STARTING 1JANUARY 2008

In alignment with the changes brought by Law No. 11,638/07 and Executive Act No. 449/08, the Federal Accounting Council together with the Committee of Accounting Pronouncements issued Technical Pronouncements along the year 2008, which introduced some changes to the accounting practices adopted in Brazil.

Such amendments aimed mainly to update the Brazilian Corporate Law and align the accounting practices adopted in Brazil with International Financial Reporting Standards (IFRS), allowing new accounting procedures and standards to be established by Brazilian regulating agencies according to the mentioned international set of rules.

2.2. ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CPC'S) IN EFFECT STARTING 1 JANUARY 2010

Over 2009, in view of the alignment of Brazilian accounting practices with IFRS, the Committee of Accounting Pronouncements issued new technical pronouncements applicable to the year to end in December 2010 and, for comparison purposes, to the financial statements to be presented together with the statements of 2010.

Based on CVM Decision No. 603 of 10 November, 2009, changed by CVM Resolution No. 626, of 31 March 2010, Circular Letter CVM/SNC/SEP No. 1/2010 of 31 March 2010, and on CFC Decision 1,281, of 16 April 2010, the Company opted for not adopting the new technical pronouncements issued in 2009, preparing these financial statements according to the accounting practices in effect until 31 December, 2009. Such statements will be restated with the adjustments generated by the adoption of the new pronouncements during the presentation of the financial statements for the year ended 31 December 2010.

2.3 ADJUSTMENTS ARISING FROM THE NEW TECHNICAL PRONOUNCEMENTS

In view of the changes introduced by the new technical pronouncements, there were the following adjustments in the statement of income and shareholders' equity as of 30 June 2010 and 2009:

Effects to the period ended 06/30/2010	Company	
	Statement of income	Shareholders' equity
Balances according to the practices in effect in 2009	**169,059**	**4,336,147**
CPC 29 - Biological assets and agricultural products (*)	6,706	6,706
CPC 30 - Revenues	(7,132)	(7,132)
CPC 32 - Income tax (*)	(3,324)	(3,324)
New Pronouncements	**165,309**	**4,332,397**

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

Effects to the period ended 06/30/2010	Company	
	Statement of income	Shareholders' equity
Balances according to the practices in effect in 2009	**366,873**	**4,210,375**
CPC 29 - Biological assets and agricultural products (*)	5,094	5,094
CPC 30 - Revenues	(11,878)	(11,878)
CPC 32 - Income tax (*)	(78,242)	(78,242)
New Pronouncements	**281,847**	**4,125,349**

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

The Company's management is analyzing the effects of the application of other technical pronouncements CPC issued. It is already determined that the following pronouncements might produce effects to the financial statements as of 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 combination of businesses and its effects. Business combination should be understood as the operation or other event through which a purchaser obtains the control of one or more enterprises, regardless of the legal means of the operation, also including mergers between independent parties.

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

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

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

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

	Seara	Zenda Group
Purchase date	1/4/2010	1/22/2010
Percentage of ownership interests	100%	51%
Number of production plants	12	9
Amount paid in kind (million of US$)	737.6	38.1
Debt assumption	193.8	-

Considering such acquisitions, the Company's management is evaluating the effects of the 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 determine the goodwill that will be presented at the closing of the year 2010.

- 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. From the change of the practice on, assets have to depreciated along their useful lives based on the depreciation method that best reflects the use of the future expected economic benefits of the asset.

  The Company is evaluating internally the assets that compose property, plant and equipment, as well as through the work of specialized consultants, to determine the correct depreciation rates. The adjustments will be presented in the statements of the year ended 31 December 2010.

- CPC 29 - CVM Decision 596/09 - Biological assets and agricultural products. The objective of this pronouncement is establishing 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 analyzing the impacts of the application of such CPC to its controlled companies in relation to the animal confinement activities and agricultural production. The effects to the financial statements of controlling companies are presented in the table previously presented.

- CPC 30 – CVM Decision 597/09 – Revenues – the objective of this pronouncement is establishing the accounting treatment of revenues from certain types of transactions and events, including the sale of assets, provision of services and use, by third parties, of other assets of the entity that generate interest, royalties and dividends.

  The Company is analysing the impacts of the application of such CPC to its controlled companies. The effects to the financial statements of controlling companies are presented in the table previously presented.

- CPC 32 - CVM Decision 599/09 – Income tax. The purpose of this pronouncement is establishing the accounting treatment for income taxation and mainly how to book the tax and futures effects of:

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

  b) operations and other events of the current period that are recognized in the entity's financial statements.

  The Company is analyzing the effects of the application of that CPC to its controlled companies. The effects to the financial statements of controlling companies are presented in the table previously presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

3.1. SIGNIFICANT ACCOUNTING PRACTICES

The significant accounting practices adopted to prepare the financial statements are the following:

a. Results of operations

Results of operations are recorded under 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 the determination of the residual value of property, plant, and equipment, and the recognition of deferred income and social contribution taxes, 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 controlled companies 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 recognized at their fair value plus, for instruments that are not recognized 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 instruments

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 amortized cost using the effective interest rate method, less possible impairment charges.

- Available-for-sale instruments

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 foreign currency differences of these instruments, are recognized directly in equity, net of tax effects. When an investment fails to be recognized, the gain or loss accumulated in equity is transferred to the statement of operations.

- Loans and receivables

They are non-derivative financial assets with fixed or determinable payments, not quoted in the market.

- Financial instruments stated at fair value in the statement of income

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 recognized 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 recognized in the statement of operations.

- Other

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

d. Foreign currency

The Company's management established that its functional currency, and that of its subsidiaries in Brazil is the Brazilian real, according to the provisions of CPC Technical Pronouncement No. 2 – Effects on Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Decision No. 534/08. The functional currency of foreign companies is that of the country where they operate, also pursuant to CPC Technical Pronouncement No. 02.

Foreign currency transactions, that is, all those not performed in functional currency, are translated into Brazilian reais at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into Brazilian reais at the exchange rate prevailing at the balance sheet date. Exchange gains and losses on monetary assets and liabilities are recognized in the income statement. Non-monetary assets or liabilities acquired or contracted in foreign currency are translated into functional currency at the exchange rate prevailing at the date of the transactions or the date of the valuation at fair value, when applicable.

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 the management deems sufficient to cover possible losses on the realization of receivables.

- Inventories

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

- Investments

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

- Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, less depreciation under 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.

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

Investments in breeding stock (animals for reproduction) are booked in property, plant and equipment. Costs with labour, feed and medicines are taken into property, plant and equipment during the formation period of breeding stock, which lasts approximately six months. After such 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 capitalized only when economic benefits of property, plant, and equipment increase. Any other type of expense is recognized in 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. Those agreements are finance leases.

Intangible assets with an indefinite useful life and goodwill resulting from expected future profitability as from 1 January, 2009 are not amortized.

- Deferred charges

In the periods ended 30 June 2010 and 31 March 2010, the Company did not incur any pre-operating expenses.

Pursuant to CVM Decision No. 565/2008, the balance of deferred charges (consolidated) will be maintained until fully amortized.

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 an indefinite useful life are tested annually regardless of whether or not events and circumstances have occurred that indicate possible impairment.

g. Current and non-current liabilities

These are stated at known or estimated amounts, plus related charges, exchange and/or monetary variations incurred through the balance sheet date, when applicable.

h. Provisions

Provisions are recognized because of past events that originated a liability, and it is likely that an economic resource is required to settle it. Provisions are recognized when losses are rated 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 recognized 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 based on taxable income. Income and social contribution taxes are paid monthly, on an estimated basis, according to prevailing legislation.

Deferred assets recognized for income and social contribution tax losses and temporary differences are recognized 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 Regimen (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 based on the number of outstanding shares at balance sheet date.

l. Present value adjustment

Certain non-current assets and liabilities, as well as current assets and liabilities, when material, must be discounted to present value at the dates of the respective transactions, according to rates that reflect the cost of money borne by the Company over time, as well as the specific risks related to the cash flows expected for the respective accounts. These adjustments were made in accordance with CPC Technical Pronouncement No. 12, approved by CVM Decision No. 564, of 17 December, 2008. The corresponding item of adjustments to present value is booked against the accounts that gave rise to the mentioned assets or liabilities. The difference between the present value of a transaction and the par value of an asset or liability is appropriated against income along the contract period, based on the amortized cost method and effective interest rate.

The discount to present value had as basis the average value between the SELIC index (rate established for return on equity capital) and the average fund raising rate in the financial market (rate established for the return on third party capital), reaching an average index of 8.86% p.a. as of 30 June 2010 (8.59% p.a. as of 31 March 2010).

The periods used in the determination of the adjustment to present value vary according to operating activity involved, corresponding to the average expected period for settlement, such as the average period to receive amounts from sales, average payment period, period for settlement of taxes paid in instalments and other necessary ones.

The rates used and established periods in relation to the risk factors involved in the Company's operations are perfectly reflected in 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 in the raising of funds through the issuance of securities should be separately booked in an account reducing shareholders' equity, less possible tax effects.

n. Treasury shares

Refer to shares of the Company that were acquired by the own Company and kept in treasure with the specific purpose of fulfilling the exercise of 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 year.

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 income and expenses as well as unrealized profits resulting from intercompany transactions.

3.2. CONSOLIDATED FINANCIAL STATEMENTS

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

DIRECTLY CONTROLLED COMPANIES	Ownership Interest Percentage 06/30/10	03/31/10
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	93.45%	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	81.48%	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%	-
Marfood USA Inc.	100.00%	-

(1) current name of CCKVL Holding BV

The financial statements of controlled companies 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

Refer to the cash available in the Company, in banks, and as financial investment as follows:

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Cash and cash equivalents	138,942	332,193	408,481	678,117
Financial investments	580,694	724,286	1,620,331	865,723
	719,636	1,056,479	2,028,812	1,543,840

Cash and cash equivalents of foreign controlled companies are the following:

	Brazil		Abroad	
	06/30/10	03/31/10	06/30/10	03/31/10
Cash and cash equivalents	26,356	196,440	243,182	149,484
Financial investments	5,295	2,072	1,034,343	139,365
	31,651	198,512	1,277,525	288,849

The Company usually presents the following items in the composition of cash and cash equivalents:

- Balance of cash available in hand;
- Bank deposits;
- Valuables in transit;
- Immediate liquidity financial investments.

4.1. CASH AND CASH EQUIVALENTS PER CURRENCY

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

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Cash and banks				
Reais	62,299	285,999	86,331	305,167
Us dollars	76,643	46,194	180,322	120,479
Euros	-	-	40,381	150,376
British pounds	-	-	77,076	46,192
Yen	-	-	2	32,952
Other	-	-	24,369	22,951
	138,942	332,193	408,481	678,117

4.2. FINANCIAL 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.%	06/30/2010	03/31/2010
Available for sale						
Bank deposit certificates - CDB (2)	07/05/2010 to 09/18/2011	1.04	Real	10.21	480,085	389,246
Repurchase and reverse repurchase agreements (2)		-			-	89,529
Savings account (2)	06/30/2010	-	Real	6.42	43	177,480
Other (2)	06/30/2010	-	Real	-	430	62
					480,558	656,317
Loans and receivables						
Interest-bearing account	8/6/2014	3.99	Dollar	0.35	33,639	1,507
					33,639	1,507
Held to maturity						
Foreign Credit Note	8/1/2013	2.56	Dollar	0.35	59,878	59,239
Foreign Credit Note	4/9/2014	4.24	Euro	0.35	6,617	7,221
Prize-draw investment bonds	06/30/2010 to 04/29/2014	3.86	Real	2.43	388	381
					66,883	66,841
Total					581,080	724,665
Total current					580,694	724,286
Total non-current					386	379

(1) Average weighted maturity in years

(2) The operations were contracted with daily liquidity and can be redeemed at any moment. The mentioned term is the maturity of the collateral of the operation.

The breakdown of consolidated financial investments per type is as follows:

	Maturities	PMPV [1]	Currency	Average interest rate p.a.%	Consolidated 06/30/2010	Consolidated 03/31/2010
Available for sale						
Bank Deposit Certificates - CDB (2)	06/30/2010 to 09/18/2011	1.04	Real	10.19	480,995	391,987
Repurchase and reverse repurchase					-	89,529
Savings account (2)	06/30/2010	-	Real	6.42	43	177,480
Fixed income investment	09/30/2010	0.25	Dollar	1.60	58,576	44,171
Circular letter 1456	06/30/2010 to 12/31/10	0.34	Dollar	1.20	96,870	95,194
Other (2)	06/30/2010	-	Dollar	-	4,569	
Other (2)	06/30/2010	-	Real	-	430	62
					641,483	798,423
Loans and receivables						
Interest-bearing account	8/6/2014	0.70	Dollar	0.57	846,930	1,507
					846,930	1,507
Held to maturity						
Foreign Credit Note	8/1/2013	0.35	Dollar	2.41	125,484	59,239
Foreign Credit Note	4/9/2014	4.24	Euro	4.29	6,617	7,221
Prize-draw investment bonds	06/30/2010 to 04/29/2014	1.89	Real	4.78	2,069	2,171
					134,170	68,631
Total					1,622,583	868,561
Total current					1,620,331	865,723
Total non-current					2,252	2,838

(1) Average weighted maturity in years

(2) The operations were contracted with daily liquidity and can be redeemed at any moment. The mentioned term is the maturity of the collateral of the operation.

The types of financial investments of the Company can be described as follows:

Bank Deposit Certificates - CDB

The investments of this type are made in reais and bear interest at rates corresponding to the variation of CDI (Interbank Deposit Rate), which ranges from 99% to 107%

Repurchase and reserve repurchase agreement

These are operations executed in reais guaranteed by debentures that bear interest at rates corresponding to the variation of CDI (Interbank Deposit Rate), which ranges from 100% to 100.5%.

Savings Account

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

Fixed Income Investments

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

Circular Letter 1456

The investments of this type refer to export operations in US dollars with the Central Bank of Uruguay that bear interest at fixed rates, and are executed 180 to 270 days before the export operation.

Interest-Bearing Account

Refers to 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 corresponding to the Reference Rate (TR).

5. TRADE ACCOUNTS RECEIVABLE – LOCAL AND FOREIGN CUSTOMERS

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Trade accounts receivable - domestic	430,572	434,465	868,944	874,535
(-) Discount to present value	(1,872)	(2,357)	(2,922)	(3,279)
	428,700	432,108	866,022	871,256
Trade accounts receivable - foreign	324,392	228,731	648,570	443,887
(-) Advances on export contracts - ACEs	(255,719)	(196,068)	(609,715)	(341,989)
(-) Discount to present value	(1,860)	(1,860)	(2,222)	(2,094)
	66,813	30,803	36,633	99,804
	495,513	462,911	902,655	971,060
Amounts not yet due	491,555	461,704	680,752	816,557
Amounts overdue				
From 1 to 30 days	6,971	8,174	181,566	124,509
From 31 to 60 days	239	195	26,445	16,363
From 61 to 90 days	480	160	11,261	12,119
More than 90 days	3,519	-	40,685	36,710
(-) Discount to present value	(3,732)	(4,217)	(5,144)	(5,373)
(-) Allowance for doubtful accounts	(3,519)	(3,105)	(32,910)	(29,825)
	495,513	462,911	902,655	971,060

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

The Company usually recognizes a provision for notes overdue for than 90 days, whose expectation of receipt is unlikely in consideration of the history of problems identified in receivables, as well as through analysis of the current status of customers, which can be: in order, that is, he buys and pays within acceptable limits; a history of late payments; and status of debtor being reorganized 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 the finance market.

The current economic situation presents a trend of improvement in relation to sales and volume of credit in the market, what reflects the purchasing power of customers and, consequently, trend of punctual payments.

Receivables were discounted to present value in compliance with Technical Pronouncement CPC no. 12 approved by CVM Decision no. 564/2008, as described in note 3 (l).

6. INVENTORIES OF GOODS AND MERCHANDISE

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Finished products and others	1,136,820	1,025,601	2,571,064	2,376,948
Packaging material and storeroom supplies	30,633	30,567	189,960	162,581
	1,167,453	1,056,168	2,761,024	2,539,529

In the period ended 30 June 2010 and 31 March 2010, inventories of finished products were carried out at average purchase and/or production cost, lower than realization values, as explained in note 3 (e).

Inventories of foreign controlled companies are stated as follows:

	Brazil		Abroad	
	06/30/10	03/31/10	06/30/10	03/31/10
Finished products and others	897,176	817,598	537,068	533,749
Packaging material and storeroom supplies	97,897	83,267	61,430	48,747
	995,073	900,865	598,498	582,496

7. RECOVERABLE TAXES

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
State VAT (ICMS	274,718	243,126	426,578	384,077
IPI (Federal VAT) deemed credit	61,000	60,930	70,978	70,415
PIS (tax on sale) credit	79,383	67,974	195,014	164,354
COFINS (tax on sale) credit	319,819	268,443	810,309	679,148
Income tax	65,952	64,816	113,063	109,949
Social contribution tax	14,395	14,348	22,074	22,004
Withholding income tax (IRRF)	9,418	7,980	11,073	9,214
IVA (value-added tax)	-	-	35,559	39,313
Export certificates	-	-	18,453	21,797
Other	353	353	39,873	34,882
Total	825,038	727,970	1,742,974	1,535,153
Current assets	534,193	437,125	986,536	897,938
Non-current assets	290,845	290,845	756,438	637,215
Total	825,038	727,970	1,742,974	1,535,153

7.1. State VAT (ICMS)

The balance of recoverable ICMS derives from credits taken for ICMS paid on the purchase of raw, packaging, and other materials, in higher values than the debts generated from domestic sales, since foreign market sales are free from this tax. The balance also includes total balances of those credits resulting from companies acquired until the period ended 31 March 2010.

7.2. Deemed IPI Credit

Refers to 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 those credits resulting from companies acquired until the period ended 31 March 2010.

7.3. PIS and COFINS (taxes on sales)

Refer to non-cumulative credit of PIS and COFINS levied on the acquisition of raw material, packaging, and other materials used in the goods sold in foreign markets. It also includes total balances of those credits resulting from companies acquired until the period ended 31 March 2010.

7.4. INCOME AND SOCIAL CONTRIBUTION TAXES

Refer to 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 until the period ended 31 March 2010.

7.5. Withholding Income Tax (IRRF)

Refers to income tax withheld from gains on financial investments made by the Company, as well as total balances of those credits resulting from companies acquired until the period ended 31 March 2010.

7.6. IVA – Value Added Tax

This caption refers to balances of recoverable value added tax of foreign controlled companies 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 until the period ended 31 March 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 until the period ended 31 March 2010.

8. NOTES RECEIVABLE

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Related parties	691,639	971,980	-	-
Other notes receivable	4,670	4,670	5,482	5,476
Total	696,309	976,650	5,482	5,476
Current assets	81,000	49,200	-	-
Non-current assets	615,309	927,450	5,482	5,476

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

8.1. RELATED-PARTY TRANSACTIONS

The following tables demonstrate the operations between the Company and its wholly owned subsidiaries as of 30 June 2010, except for operations with Mr. Marcos Antonio Molina dos Santos and Mrs. Márcia Paschal Aparecida Marçal dos Santos, sole partners of MMS Participações S.A. They should not be considered as related parties of the Company, taking into account that such operations integrate the regular course of businesses, but are eliminated in the consolidated numbers, not having any effect on income, and, therefore, not bringing any effects to the Company's shareholders:

	COMPANY					
				06/30/10		2Q 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
Columbus Netherlands BV	-	-	-	-	-	-
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

	COMPANY					
				03/31/10		1Q 2010
	Accounts receivable	Accounts payable	Notes receivable	Notes payable	Purchases	Sales
Argentine Breeders & Packers S.A.	-	1,480	56,168	-	1,219	-
Frigorífico Tacuarembó S.A.	-	-	1,850	-	333	-
Inaler S.A.	-	-	1,315	-	838	-
Marfrig Chile Inversiones Ltda	3,991	-	-	-	-	1,780
Quinto Cuarto S.A.	-	-	-	-	-	-
Weston Importers Ltd.	38,834	797	-	-	-	10,746
MFB Marfrig Frigoríficos Brasil S.A	-	24,849	39,145	-	27,682	14,704
Pampeano Alimentos S.A.	10,772	11	87,893	-	1	14,771
Cledinor S.A.	-	-	-	-	1,121	-
Frigorífico Mabella Ltda	10	2,623	422,528	-	5,691	27
Masplen Limited	-	-	79	-	-	-
Dagranja Agroindustrial Ltda	431	347	146,447	-	978	1,151
Marfood USA Inc	604	-	57,489	-	-	-
Establecimientos Colonia S.A.	-	430	-	-	724	-
Quickfood S.A.	-	824	613	-	1,346	-
Moy Park Limited	-	-	20,536	-	-	-
Moy Park Holdings Europe Limited	-	-	71	-	-	-
Marfrig Holdings BV	-	-	-	-	-	-
Braslo Produtos de Carne Ltda	6,153	2,170	40,823	-	5,343	16,873
MBL Alimentos Ltda	-	-	71	-	-	142
Mas Frangos Part. Ltda	-	-	6,129	-	-	-
Penasul Alimentos Ltda	312	-	-	61,771	-	817
Agrofrango Ind. Com. Alim. Ltda	1	-	51,174	-	-	17
Maremar Adm. Bens S/C Ltda	-	-	-	-	-	-
Seara Holding BV (1)	45	88	39,649	-	147	264
Columbus Netherlands BV	-	-	-	-	-	-
Marcos Antonio Molina dos Santos	-	1,979	-	-	3,940	-
Marcia Aparecida Pascoal Marçal dos Santos	-	116	-	-	229	-
	61,153	35,714	971,980	61,771	49,592	61,292

(1) Current name of CCKVL Holding BV

	Consolidated			
	Accounts payable		Total purchases in the period	
	06/30/10	03/31/10	06/30/10	03/31/10
Marcos Antonio Molina dos Santos	3,386	1,979	9,458	3,940
Marcia Aparecida Pascoal Marçal dos Santos	422	116	7,267	229
	3,808	2,095	16,725	4,169

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 collateral offered. In case of default, the creditors can demand the payment directly from the shareholder and from its partners and, if they make the payment, they will be entitled to refund from the Company.

On April 27, 2007, Mr. Marcos Antonio Molina dos Santos and his wife acquired a property in the State of São Paulo 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 confine 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 operations mentioned in the previous paragraph were executed in alignment with 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. Related party should be understood as any manager, employee or shareholder of the Company that holds, directly or indirectly, more than 10% interests in the Company's capital stock.

All relations with affiliated and controlled companies of the Company are demonstrated in note 1 - OPERATIONS.

[1] Arroba = A unit of weight equivalent to 14.69 Kg.

Intercompany relations of companies of Marfrig Group 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 managed through contracts establishing rates and various conditions. The average contract period is 2 years. Loan rates vary from 1% p.a. to 3% p.a. + LIBOR (London Interbank Offered Rate), the latter applied to transactions with the controlled companies abroad.

Purchase or sale transactions follow market prices, and there is no need of collateral or allowance for doubtful accounts. Such operations involve purchase and sale of *in natura* meat and cattle, poultry, ovine and swine industrialized products.

Operations among controlled companies do not have effects to the consolidated financial statements, as they are eliminated in the consolidation process.

9. DEFERRED TAXES

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Income tax	184,239	163,874	419,835	261,266
Social contribution tax	68,033	60,646	135,072	78,352
	252,272	224,520	554,907	339,618
Current assets	19,468	19,468	39,133	27,470
Non-current assets	232,804	205,052	515,774	312,148

Refer to deferred income and social contribution taxes, calculated on taxes whose payment has been suspended (provisions), which were added to the computation of taxable income and the social contribution calculation base of previous years, as well as on tax losses and future utilization for tax purposes of goodwill paid due to future profitability, which will be realized from 2010 to 2019.

Below is the breakdown of deferred taxes for the 2nd quarter ended 30 June 2010:

Description	Company		Consolidated	
	IRPJ	CSL	IRPJ	CSL
Beginning balance as of 1 April 2010	163,874	60,646	261,266	78,352
(-) Realisation due to tax utilisation of goodwill	(4,899)	(1,763)	(4,899)	(1,763)
(-) Realisation of deferred taxes on tax loss	-	-	(451)	-
Deferred taxes on tax loss	25,235	-	31,262	-
Deferred taxes on social contribution tax losses	-	9,140	-	12,116
(-) Realisation of deferred taxes on social contribution tax losses	-	-	-	(270)
Deferred taxes on temporary additions	29	10	8,705	2,307
Reversal of provision for non-realisation of deferred taxes	-	-	121,592	45,531
Other	-	-	2,360	(1,201)
Ending balance as of 30 June 2010	184,239	68,033	419,835	135,072

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 realization of “Deferred Tax Assets” over a maximum 10-year period.

The Company completed a study on the expected generation of taxable income in the future in subsidiary Seara Alimentos S.A., discounted to present value. It is supported by a technical feasibility study which allows the realisation of deferred tax assets within ten (10) years at most, leading to a reversal of the “Provision for non-realisation of deferred taxes” as shown above.

The expectation of realization of "Deferred Tax Assets” is defined as follows:

Year	Company	Consolidated
2010	48,742	80,508
2011	48,742	76,792
2012	48,742	71,097
2013	48,742	57,706
2014	48,742	64,758
2015 to 2017	8,562	134,157
2018 to 2020	-	69,889
	252,272	554,907

In the six-month period ended 30 June 2010 the Company realised R$ 15,219 in deferred tax assets through the use of the goodwill and offset of tax loss carryforwards.

10. INVESTMENTS

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Ownership interest in controlled companies	3,919,115	3,256,682	-	-
Other investments	135	135	1,152	971
	3,919,250	3,256,817	1,152	971

10.1. INVESTMENTS (COMPANY)

	No. of units of interest/shares	Ownership percentage of voting capital (1)	Trade on the stock exchange	Capital stock	Equity	Net income (loss) for the period
Argentine Breeders & Packers S.A	482,511	99.99	Não	226,601	165,459	(24,014)
MFB Marfrig Frigoríficos Brasil S.A. (2)	78,573,743	100.00	Não	78,574	64,621	5,464
Marfrig Chile S.A.	13,358,426,280	99.47	Não	44,816	34,028	2,506
Inaler S.A	66,247,320	100.00	Não	2,643	32,679	1,186
Frigorífico Tacuarembó S.A	166,925,258	93.45	Não	11,769	94,525	1,493
Weston Importers Ltd	1,338,278	100.00	Não	21,816	18,954	(2,346)
Masplen Limited	100	100.00	Não	-	13,419	(7,691)
Prestcott International S.A	79,638,916	100.00	Não	5,264	39,981	1,617
Secculum Participações Ltda	9,200,000	99.00	Não	9,200	5,336	(1,282)
União Frederiquense Partic. Ltda	552,031,080	99.99	Não	552,031	496,326	(119,672)
QuickFood S.A	21,419,606	81.48	Sim	22,316	108,213	1,536
Establecimientos Colonia S.A	80,647,477	100.00	Não	47,292	67,999	(5,996)
Marfrig Holdings(Europe) BV	3,509,714	100.00	Não	952,453	1,053,619	25,400
Seara Holding BV (1)	490,285,420	100.00	Não	1,261,248	1,698,369	434,467
Columbus Netherlands BV	27,087,661	100.00	Não	68,662	60,852	(5,998)
Marfood USA Inc.	50,000	100.00	Não	90	5,678	(2,859)
Marfrig Overseas Ltd	1	100.00	Não	-	(12,901)	(12,871)
Total				3,304,775	3,947,157	290,940

(1) The capital of controlled companies equals the voting capital

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

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

	Book balance as of 03/31/10	Translation adjustment	Acquisition of units of interest	Capital increase	Investment in the period	Equity in earnings (loss)	Exchange variation on equity accounting	Book balance as of 06/30/10
Argentine Breeders & Packers S.A. (1)	113,000	(15,341)	-	80,338	80,338	(11,809)	(731)	165,457
MFB Marfrig Frigoríficos Brasil S.A (2) (3)	63,084	1	-	-	-	1,532	-	64,617
Marfrig Chile S.A. (1)	34,424	7	-	-	-	(564)	(18)	33,849
Inaler S.A. (1)	31,758	16	-	-	-	535	366	32,675
Frigorífico Tacuarembó S.A. (1)	84,883	79	-	-	-	2,328	978	88,268
Weston Importers Ltd. (1)	18,493	2,147	-	-	-	(2,860)	(110)	17,670
Masplen Limited (1)	16,741	41	-	-	-	(3,363)	-	13,419
Prestcott International S.A. (1)	39,271	5	-	-	-	253	452	39,981
Secculum Participações Ltda. (2)	5,187	(1,598)	-	-	-	1,687	-	5,276
União Frederiquense Partic. Ltda. (2)	103,974	558	-	453,582	453,582	(61,988)	-	496,126
QuickFood S.A (1)	87,667	76	-	-	-	645	(215)	88,173
Establecimientos Colonia S.A (1)	70,535	(5)	-	-	-	(3,343)	812	67,999
Marfrig Holdings(Europe) BV (1)	1,038,382	504	-	-	-	5,696	9,036	1,053,618
Seara Holding (Europe) BV (2)	1,481,493	849	-	-	-	216,016	-	1,698,358
Columbus Netherlands BV (1)	67,790	(14)	-	-	-	(6,275)	(648)	60,853
Marfood USA		(6)	8,446	-	8,446	(2,860)	97	5,677
Marfrig Overseas		(29)	-		-	(12,872)	-	(12,901)
Total	3,256,682	(12,710)	8,446	533,920	542,366	122,758	10,019	3,919,115

(1) Those companies had their financial statements as of 30 June 2010 reviewed by member firms of the BDO network in their countries of origin with the issuance of limited review reports

(2) Financial statements reviewed by BDO Auditores Independentes.

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

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

- On 4 January 2010, it concluded the acquisition of all Brazilian business of animal protein (poultry, pigs and industrialized products) from Cargill Inc., represented by the enterprise 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 added-value processed products and a port terminal). The amount of the transaction was US$899 million, from which US$705.2 million was paid in cash on 4 January 2010 and US$193.8 million in debt assumption after due diligence. As of 24 February 2010, an amount of US$32.4 million was added to the value of the operation, due to positive balance of working capital of SEARA in favour of Cargill, that has not affected economically the value of the transaction for the Company. The business of Seara Alimentos in Brazil and the offices abroad were integrated into the Poultry, Swine and Industrialized Products Brazilian Division of Marfrig Group. No additional payment under any title 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 industrialization 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 stated in contract and disclosed as a Material Development, the Company entered into a commitment for the purchase and sale of the remaining ownership interest in Zenda Group (49%). The payment will be made through a fixed amount (already paid) and a variable portion based on the EBITDA margin, less possible contingencies of responsibility of the sellers. The payment will be made into semi-annual instalments, the first one to be due after twelve (12) months from the closing date held on 22 January 2010) and the last one after thirty (30) months from the closing date, and the limit date is 31 July 2012. No additional payment under any title will be made to the sellers.

  Such investments have been properly booked under the equity method, since they apply to controlled companies. The financial statements of those companies for the period ended 30 June 2010 and 31 March 2010, were prepared according to legislation in effect in each country where the companies are located and were reviewed by independent auditors, to be later converted into the International Financial Reporting Standards and expressed in US dollars. Then, they were 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 with Lindsay Goldberg LLC a Membership Interest Purchase Agreement (MIPA), under which it will acquire 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 specialized in the food services. This acquisition puts Marfrig at a highlighted 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 the protein processing, according to the publication "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 Zeeland and United Arab Emirates, Kuwait, Bahrain, Qatar and Oman (Middle West). In 2009, the Company operated with 12,900 employees in 54 units and had net revenues of US$ 6.4 billion on its food production and distribution businesses. The amount of the acquisition will be 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 will raise R$ 2.5 billion (approximately USD 1.3 billion) through a private subscription of 5-year term convertible debentures, with pre-emptive rights for the current shareholders, at the conversion price of R$ 21.50, annually adjusted by an interest rate equivalent to the CDI (interbank deposit rate) +1% (without grace period and interest paid annually), net of any and all yield paid to the shareholders (dividends or interest on shareholders' equity), as well as any other change that may occur at the shares (for instance, an split), so as to produce the liquid economic effects of a share purchase. The conversion price may be adjusted to the market price, should the conversion price, as calculated above, be higher than the market price at the conversion date, with a minimum value of R$ 24.50 (this price will not be adjusted by any index or yield, only by bonus, splits or grouping). The debenture interest will be paid on an annual basis, at a rate equivalent to the CDI + 1% prior to the conversion. Additional information will be provided along with the instructions contained in the call notice for the Extraordinary Shareholders' Meeting, according to CVM Instruction No. 481. This acquisition and related funding are expected to be concluded in the 2nd half of 2010.

11. PROPERTY, PLANT AND EQUIPMENT

				Company	
				06/30/10	03/31/10
Description	Average annual depreciation rates	Cost	Accumulated depreciation	Net	Net
Plots of land	-	22,127	-	22,127	21,976
Buildings	4%	292,032	(43,013)	249,019	251,930
Machinery and equipment	10%	233,545	(69,506)	164,039	162,520
Furniture and fixtures	10%	7,064	(1,944)	5,120	4,791
Facilities	5%	198,145	(17,824)	180,321	182,572
Vehicles	20%	11,545	(11,346)	199	223
IT equipment	20%	6,465	(4,041)	2,424	2,581
Aircrafts	20%	382	(191)	191	210
Advance for acquisition of property, plant and equipment	-	12,468	-	12,468	12,009
Leasehold improvements	-	2,313	(17)	2,296	2,296
Lease - vehicles	20%	30,211	(19,175)	11,036	22,194
Lease - computer hardware	20%	17,061	(9,292)	7,769	1,940
Lease - machinery	10%	32,007	(6,072)	25,935	23,439
Lease - facilities	5%	81,487	(12,449)	69,038	70,031
Lease - buildings	4%	68,800	(9,953)	58,847	59,521
Construction in progress	-	234,690	-	234,690	208,757
Software (a)	20%	-		-	16,737
Other	4%	544	(92)	452	540
		1,250,886	(204,915)	1,045,971	1,044,267

(a) It refers to software / system that was recorded in property, plant and equipment and was reclassified to intangible assets, as shown in table 12.1.

		Consolidated			
				06/30/10	03/31/10
Description	Average annual depreciation rates	Cost	Accumulated depreciation	Net	Net
Plots of land	-	118,166	-	118,166	119,668
Buildings	4%	1,086,372	(60,805)	1,025,567	1,014,297
Machinery and equipment	10%	1,034,826	(117,771)	917,055	925,084
Furniture and fixtures	10%	39,560	(5,254)	34,306	38,906
Facilities	5%	317,772	(21,397)	296,375	264,336
Vehicles	20%	19,626	(11,580)	8,046	7,525
IT equipment	20%	22,749	(7,315)	15,434	16,915
Aircrafts	20%	382	(191)	191	210
Advance for acquisition of property, plant and equipment	-	20,834	-	20,834	12,328
Leasehold improvements	-	19,394	(1,446)	17,948	17,132
Lease - vehicles	20%	30,270	(19,187)	11,083	22,247
Lease - computer hardware	20%	17,061	(9,292)	7,769	1,940
Lease - machinery	10%	41,780	(7,220)	34,560	34,998
Lease - facilities	5%	84,479	(12,460)	72,019	72,999
Lease - buildings	4%	68,800	(9,953)	58,847	59,521
Construction in progress	-	409,393	(4)	409,389	405,523
Software	20%	-	-	-	18,367
Other	4%	211,477	(34,217)	177,260	170,951
		3,542,941	(318,092)	3,224,849	3,202,947

(a) It refers to software / system that was recorded in property, plant and equipment and was reclassified to intangible assets, as shown in table 12.1.

After the enactment of CVM Decision No. 554/08, the goods the Company acquired through finance lease are now recorded in Property, plant and equipment together with the respective depreciation, with corresponding entries recorded to lease payable, as demonstrated in note 17.

Pursuant to CVM Decision no. 527/2007, an analysis was executed to check impairment of property, plant, and equipment. Based on the tests carried out, there are no assets recorded at amounts that exceed the value recoverable through use or sale. Such analysis is executed on an annual basis.

The tests comprised 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

According to CVM Decisions No. 553/08 and 565/08 the "Intangible assets" account was created in non-current assets, as shown below:

	06/30/10	03/31/10
Intangible assets - Controlling company	550,102	530,590
Intangible assets - Controlled companies	2,145,512	2,075,665
	2,695,614	2,606,255

Changes in intangible assets for Company and consolidated over the period ended 30 June 2010 is as follows:

12.1. CHANGES IN INTANGIBLE ASSETS (COMPANY)

	Balance as of 31 March 2010	Acquisition/write-off	Goodwill on acquisition	Reclassification	Balance as of 30 June 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	-	-	-	220,696
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 (a)	-	-	-	19,205	19,205
Trademarks and patents	19,383	-	-	-	19,383
Total	530,590	-	307	19,205	550,102

(a) It refers to software / system that was recorded in property, plant and equipment and was reclassified to intangible assets, as shown in table 11.

12.2. CHANGES IN INTANGIBLE ASSETS (CONTROLLED COMPANIES)

	Balance as of 31 March 2010	Reclassification	Goodwill/ negative goodwill on acquisition	Acquisition of trademark/other	Exchange variation on translation	Write-off of goodwill	Book balance as of 30 June 2010
Argentine Breeders & Packers S.A.	**138,725**	**(45,077)**	**-**	**-**	**(1,170)**	**1,484**	**93,962**
Estancias del Sur - Goodwill	47,140		-	-	(213)	-	46,927
Mirab(AR) - Goodwill	28,226	-	-	-	(430)	-	27,796
Best Beef - Goodwill	19,766	-	-	-	(527)	-	19,239
Trademarks and patents/other	43,593	(45,077)	-			1,484	-
Marfrig Chile S.A.	**12,742**	**-**	**-**	**-**	**147**	**-**	**12,889**
QuintoCuarto - Goodwill	2,400	-	-	-	29	-	2,429
Frigorifico Patagonia - Goodwill	10,342	-	-	-	118	-	10,460
							-
Weston Importers Ltd.	**9,652**	**-**	**-**	**-**	**(41)**	**(134)**	**9,477**
CDB Meats Ltd - Goodwill	9,652	-	-	-	(41)	(134)	9,477
Marfrig BV	**714,830**	**-**	**50,442**	**-**	**8,184**	**(116)**	**773,340**
Moy Park - Goodwill	644,396	-	50,442	-	7,373	-	702,211
Moy Park France - Goodwill	62	-	-	-	1	-	63
Dungannon Proteins - Goodwill	2,988	-	-	-	34	-	3,022
Kitchen Range - Goodwill	67,384	-	-	-	776	(116)	68,044
Other						-	-
Masplen Limited	**322**	**-**	**-**	**-**	**-**	**-**	**322**
Trademarks and patents/other	322	-	-	-	-	-	322
Prestcott International S.A	**7,830**	**-**	**-**	**-**	**90**	**-**	**7,920**
Cledinor - Goodwill	7,830	-	-	-	90	-	7,920
Seara Holding Bv	**674,957**	**-**	**311**	**-**	**-**	**(533)**	**674,735**
Seara Alimentos - Goodwill	11,111	-	311	-	-	(533)	10,889
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	-	-	-	-	-	4,747
Port License	580	-	-	-	-	-	580
Columbus Netherlands BV	**(5,249)**	**-**	**-**	**-**	**(60)**	**-**	**(5,309)**
Zenda - Goodwill	(5,249)	-	-	-	(60)	-	(5,309)
União Frederiquense Partic. Ltda.	**496,650**	**19,674**	**11,252**	**1,001**	**-**	**(979)**	**527,598**
Pena Paulo - Goodwill	4,653	183	-	-	-	-	4,836
MBL (Carroll's) - Goodwill	8,176	323	-	-	-	-	8,499
Dagranja - Goodwill	338,219	13,397	-	-	-	-	351,616
Agrofrango - Goodwill	26,974	1,069	-	-	-	-	28,043
Penasul - Goodwill	9,491	376	-	-	-	-	9,867
Braslo - Goodwill	12,512	496	-	-	-	-	13,008
Mas do Brasil - Goodwill	85,343	3,380	-	-	-	-	88,723
Brusand - Goodwill	-	-	6,750	-	-	-	6,750
Penasul UK - Goodwill	-	-	4,502	-	-	-	4,502
Trademarks and patents/other	11,282	450	-	1,001	-	(979)	11,754
Secculum Participações Ltda.	**25,206**	**(19,674)**	**121**	**10**	**-**	**(10)**	**5,653**
Pena Paulo - Goodwill	235	(183)	-	-	-	-	52
MBL (Carroll's) - Goodwill	414	(323)	-	-	-	-	91
Dagranja - Goodwill	17,164	(13,397)	-	-	-	-	3,767
Agrofrango - Goodwill	1,369	(1,069)	-	-	-	-	300
Penasul - Goodwill	482	(376)	-	-	-	-	106
Braslo - Goodwill	635	(496)	-	-	-	-	139
Mas do Brasil - Goodwill	4,331	(3,380)	-	-	-	-	951
Brusand - Goodwill	-	-	72	-	-	-	72
Penasul UK - Ágio	-	-	49	-	-	-	49
Trademarks and patents/other	576	(450)	-	10	-	(10)	126
Marfood USA	**-**	**45,077**	**-**	**-**	**154**	**(306)**	**44,925**
Trademarks and patents/other	-	45,077	-	-	154	(306)	44,925
Total	2,075,665	-	62,126	1,011	7,304	(288)	2,145,512

The goodwill recorded in the Company and in its controlled companies was based on expectation of future profitability of the respective acquired enterprises.

In the 2nd quarter of 2010 the Company recorded the amount of R$ 50,442 as goodwill on the acquisition of Moy Park, as described in note 18.

Pursuant to CVM Decision No. 527/2007, as of 31 December 2009, an analysis was performed to check impairment of property, plant, and equipment. Based on the tests carried out, there are no assets recorded at amounts that exceed the value recoverable through use or sale. Such analysis is annually executed.

The tests comprised valuation reports of subsidiaries, duly prepared by experts to check the degree of recoverability of the amounts recorded in intangible assets.

13. DEFERRED CHARGES

				Consolidated	
				06/30/10	03/31/10
Description	Annual average amortization rates	Cost	Accumulated amortization	Net	Net
operating expenses	10%	17,599	(7,388)	10,211	10,819
		17,599	(7,388)	10,211	10,819

In the period ended 30 June 2010 and in year ended 31 March 2010 the Company incurred in no pre-operating expenses.

Pursuant to CVM Decision No. 565/08, the balance of deferred charges (consolidated) will be maintained until being fully amortized.

14. ACCRUED PAYROLL AND RELATED CHARGES

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
INSS (social security contribution) payable	74,933	61,725	141,740	123,865
Salaries and labour provisions	27,500	20,573	192,100	165,360
Other social charges and benefits payable	1,802	2,010	44,327	30,586
	104,235	84,308	378,167	319,811

On November 21, 2005, Law 11,196 was enacted allowing the offsetting of INSS debts against federal tax credits. This procedure was regulated by Inter-ministry Ordinance No. 23 dated February 2, 2006.

15. TAXES PAYABLE

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
ICMS (State VAT) payable	893	1,028	22,905	21,145
Instalment payment - Law 11,941/2009	98,528	96,864	295,177	290,424
Income tax payable	-	-	30,287	20,714
PIS and COFINS (taxes on sales) payable	-	-	37,398	35,448
Instalment payment of federal taxes	-	-	-	7
Other	6,101	6,369	63,026	56,440
	105,522	104,261	448,793	424,178
Current liabilities	19,655	19,391	174,845	154,195
Noncurrent liabilities	85,867	84,870	273,948	269,983

15.1 SPECIAL DEBT INSTALMENT PAYMENT PLAN (NEW REFIS) – LAW 11,941/2009

On 30 September 2009, the Company adhered to the Special 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 Federal Revenue Service, Office of the National Treasury Attorney-General, and Brazilian Social Security Institute. The Company declared debts with those agencies and transferred to it debts included in other payment plans (Special Tax Debt Instalment Payment Program - Law No. 10,684/03 – PAES and Extraordinary Tax Debt Instalment Payment – Executive Act No. 303/06 – PAEX), to be settled in up to 180 months, as follows:

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Beginning balance	96,864	92,993	290,424	268,526
(+) Adhesion to the instalment plan	-	-	-	25,917
(-) Offset of fine and interest with tax loss carryforwards	-	-	-	(10,282)
Interest	2,767	2,595	7,951	5,936
Discount to present value	924	3,274	924	3,274
Debit balance	100,555	98,862	299,299	293,371
(-) payments made	(2,027)	(1,998)	(4,122)	(2,947)
Ending balance	98,528	96,864	295,177	290,424
Current liabilities	12,661	11,994	33,512	32,253
Non-current liabilities	85,867	84,870	261,665	258,171

The Federal Revenue Service approved the Special Debt Instalment Payment Plans (New Refis) of the Company and of its controlled companies, requiring yet only the declaration and consolidation process of the debt, which it will be executed according to Jointly Administrative Act PGFN/RFB No. 3 of April 29 2010.

Despite the fact that the amounts of the Special Debt Instalment Payment Plan (New Refis) had not been approved until 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 in the programs. The confirmation of all obligations will depend on tax authorities ending the analyses of the declared debts. The Company's management does not expect relevant adjustments in that process.

16. LOANS AND FINANCING

Company

Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 06/30/10	Balance 03/31/10
Local currency					
FINAME	TJLP (Long-term Interest Rate)+ Fixed rate	-	-	-	27
BNDES Finem	TJLP + 1.80%	8.05	2.63	9,345	10,148
FINEP	TJLP + 1%	7.25	3.3	41,544	42,423
NCE	Fixed rate +%CDI	11.91	1.49	691,226	632,896
Working capital	CDI + Fixed rate	13.03	2.2	62,264	63,994
Prepayment (interest)	%CDI	11.74	0.30	1,880	1,578
Total local currency		11.71		806,259	751,066
Foreign currency					
ACC (US$)	Fixed rate + Exchange variation	4.78	0.59	376,648	461,849
Financing of industrial complex (US$)	Libor+Fixed rate+Exchange variation	4.25	2.03	7,561	8,849
Prepayment (US$)	Libor+Fixed rate+Exchange variation	7.64	4.51	2,309,588	2,075,402
Bonds (US$)	Fixed rate + Exchange variation	9.63	6.43	647,624	675,377
BNDES Finem	Basket of currencies + 1.30%	1.30	2.63	1,852	2,015
NCE (US$)	Fixed rate + Exchange variation (US$)+Libor	8.87	1.50	403,182	398,721
Swap and call option	Premium + Exchange variation + Libor		0.6	20,397	9,060
Total foreign currency		7.78		3,766,852	3,631,273
Total indebtedness		8.47		4,573,111	4,382,339
Current liabilities				1,352,809	1,198,877
Non-current liabilities				3,220,302	3,183,462

			Consolidated		
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 06/30/10	Balance 03/31/10
Local currency					
FINAME	TJLP + Fixed rate	6.46	3.34	11,490	15,425
BNDES Finem	TJLP + 1.80	8.21	3.37	17,661	19,046
FINEP	TJLP + 1%	7.25	3.3	41,544	42,423
NCE	Fixed rate+%CDI	12.00	1.34	894,072	1,010,255
Working capital (R$)	Fixed rate+%CDI	10.70	1.53	100,216	117,157
Rural credit note (R$)	Fixed rate	6.75	0.64	157,593	168,657
Prepayment (interest)	%CDI	11.74	0.30	1,880	1,578
FCO - Centre West Region Fund	Fixed rate	10.00	3.90	11,509	10,790
Total local currency		**10.94**		**1,235,965**	**1,385,331**
Foreign currency					
ACC (US$)	Fixed rate + Exchange variation	4.68	0.48	686,923	787,973
Financing of industrial complex (US$)	Libor+Fixed rate + Exchange variation	3.26	1.83	16,961	19,265
Prepayment (US$)	Libor+Fixed rate + Exchange variation	7.68	3.3	2,411,044	2,182,778
Bonds (US$)	Fixed rate + Exchange variation	9.55	8.5	1,539,424	675,377
BNDES Finem	Basket of currencies + 1.30	1.30	2.63	1,852	2,015
NCE (US$)	%CDI+Fixed rate+Exchange variation (US$)+Libor	8.87	1.49	412,043	407,295
Swap and call option	Premium + Exchange variation		0.60	20,397	9,060
Working capital (US$)	Fixed rate + Libor	4.58	2.2	180,116	163,760
Working capital (Pesos)	UF (Chilean currency unit)	3.20	0.20	1,643	1,682
Bank loan (US$)	Fixed rate	5.12	1.96	21,212	21,801
PAE (US$)	Fixed rate	3.50	0.30	12,028	13,622
Financing (US$)	Fixed rate	3.87	0.28	13,704	18,232
Overdraft account (US$)	Libor + Fixed rate	2.07	0.51	6,630	6,724
Marketable papers	Fixed rate	7.06	2.60	82,731	80,149
Total foreign currency		7.73		5,406,708	4,389,733
Total indebtedness		8.32		6,642,673	5,775,064
Current liabilities				2,078,856	2,114,161
Non-current liabilities				4,563,817	3,660,903

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

FINAME – Machinery and Equipment Finance

BNDES (National Bank for Economic and Social Development) credit line for acquisition of capital goods. The currency to be used by BNDES to adjust values is URTJLP, based on the variation of TJLP (Long-Term Interest Rate). These transactions are guaranteed by the acquired asset itself. Repayments will be made until October 2014.

BNDES FINEM - Business Finance

BNDES credit line to finance businesses. The loans have been raised to acquire machinery and equipment, and expand production facilities. Part of this finance agreement is adjusted using the TJLP (Long-Term Interest Rate) and part using the UMBNDES, which is made up of a basket of currencies that 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 until 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, which is based on TJLP variation. The finance agreement is guaranteed by a contract with Banco Bradesco. It will be repaid in monthly instalments maturing until March 2016.

NCE – Export Credit Note

Credit line that grants tax benefits to export companies. Exports made must be proved. Funds raised under this credit line are used as working capital. These transactions, some of them denominated in R$ and some in US$, are guaranteed by trade notes, endorsements and supply contracts; in some cases, no guarantee is given. The rates used for adjustment of those operations in U.S. dollars are: Libor (*London Interbank Offered Rate*) and/or fixed rate, and for operations in Brazilian reais, CDI and/or fixed rate. They mature until December 2014.

Working capital

Funds raised under this credit line are used as working capital financing. There are transactions conducted in both Brazilian reais 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 November 2012.

Rural Credit Note

Credit line to finance the integration system between rural producers (partners) and meat packing plants. Funds under this credit line are raised in Brazilian reais and linked to production. This finance is guaranteed by endorsement and adjusted using a fixed rate. Repayments will be made until August 2010.

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$. Payment is linked to exports and guaranteed by promissory notes. The adjustment rate used for those operations is a fixed rate. Repayment is scheduled up to June 2011.

Financing of Industrial Complex

Foreign credit line for acquisition of equipment. This transaction is conducted in US$, and is guaranteed by the financed equipment itself. The rates used for adjustment of those operations are Libor (*London Interbank Offered Rate*), plus 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$ and guaranteed by promissory notes, endorsements, supply contracts and export documents. In some cases, no collaterals are offered. The indices for adjustment for those operations are Libor (*London Interbank Offered Rate*), plus fixed rate. Repayments will be made until December 2016.

FCO – Centre West Region Fund

It is a line of credit destined 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. Such type of credit is guaranteed by mortgage and a fixed rate is used for adjustment. 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 operation 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 operation 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 ITE – "*Impuesto de Timbre y Estampilla*" (equivalent to the tax on financial transactions in Brazil). Lines are raised in US$ and are collateralized by bank guarantees.

Below is the debt maturity schedule:

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Local currency				
2Q10	-	67,853	-	295,118
3Q10	153,756	105,679	288,458	139,844
4Q10	193,652	157,320	235,183	195,036
1Q11	117,034	110,483	117,570	210,163
2Q11	97,630	-	118,475	-
2011	113,927	190,835	118,860	199,248
2012	66,862	55,498	128,407	117,219
2013	30,054	30,054	89,322	89,013
2014	25,719	25,719	79,065	79,065
2015	5,719	5,719	58,719	58,719
2016	1,906	1,906	1,906	1,906
	806,259	751,066	1,235,965	1,385,331
Foreign currency				
2Q10	-	82,115	-	236,228
3Q10	43,019	73,062	266,704	269,949
4Q10	180,616	145,952	442,526	213,463
1Q11	406,983	456,413	436,928	554,360
2Q11	160,119	-	173,012	-
2011	350,249	411,886	431,398	524,949
2012	541,802	495,307	608,019	545,208
2013	620,832	570,630	660,258	604,240
2014	442,538	401,307	467,013	427,393
2015	226,822	207,681	239,211	219,895
2016	793,872	786,920	801,089	794,046
After 2017	-	-	880,550	2
	3,766,852	3,631,273	5,406,708	4,389,733
Total indebtedness	4,573,111	4,382,339	6,642,673	5,775,064

Following are the guarantees for loans and financing:

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Balance of financing:	4,573,111	4,382,339	6,642,673	5,775,064
Guarantees:				
No guarantees	1,870,853	1,691,256	2,935,314	1,807,461
Promissory note	1,649,198	1,725,586	1,673,879	1,740,886
Trade bills	89,412	90,000	130,916	99,592
Bank guarantee	11,197	12,164	102,810	112,520
Supply contract	36,406	35,897	38,569	47,180
Endorsement	606,894	548,806	1,180,755	1,352,130
Financed asset	-	27	27,850	16,795
Export documents	-	-	102,292	123,648
Facilities	49,105	51,272	53,365	67,562
Mortgage	-	-	55,035	53,248
Financial investment	260,046	227,331	270,710	242,617
Export credit	-	-	71,178	111,425

On 26 March 2010, holders of senior notes issued in 2006 by Marfrig Overseas, a Company's subsidiary, in the amount of US$375,000,000 at the rate of 9.625% per year with a maturity for 2016 ("Notes") authorized amendments to some clauses of the contract, which was guaranteed by Marfrig Alimentos S.A. Amendments included change or elimination of certain clauses and covenants described in the senior note contract. There was no change in the term or annual interest rates paid on the Notes. The authorization was given until 25 March 2010 by the holders or the Notes outstanding, and signed by Marfrig Alimentos S.A. and certain relevant subsidiaries, which also are the guarantors of the operation.

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

Below is a statement of the funds raised:

Fund raising statement - Bonds 2010	
	US$ thousand
Principal amount	500,000
(-) Discount (face value of 98.426%)	(7,870)
(-) Bank commissions	(4,500)
(-) Services - lawyers	(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 bond rating assigned by Moody's and Standard & Poors and Fitch was respectively B1 and B+.

The operation 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 will be used principally to extend the maturity of the Company's debt.

Considering that the notes issued by the Company (Bonds Marfrig), maturing in 2016 and 2020, account for 23.17% of consolidated indebtedness at the end of the period (11.69% as of 31 March 2010), requirements related to the maintenance of certain financial indexes agreed upon their issue are valid for all other outstanding loans and financing at the end of the period. These requirements, regarding indebtedness, consist of maintaining a Net debt to 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 recognized under the Company's current liabilities instead of non-current liabilities, with an offsetting entry of the acquired asset into property, plant and equipment, according to note 11.

Transactions agreed before the issuance of CVM Resolution are not considered in the calculation of the covenants referred to in note 16.

						Company
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 06/30/10 (at present value)	Future payments 06/30/10	Balance 03/31/10 (at present value)
Local currency						
Finance lease of vehicles	CDI + Rate	11.2%	2.6	24,512	17,638	24,631
Finance lease of IT equipment	CDI + Rate	8.6%	2.8	20,730	13,025	22,512
Finance lease of machinery and equipment	CDI + Rate	12.5%	3.3	24,818	25,009	26,139
Finance lease of industrial facilities	CDI + Rate	11.4%	2.4	46,654	41,089	52,780
Finance lease of buildings	CDI + Rate	11.6%	1.8	39,891	31,293	45,908
Interest due				(68,974)	-	(73,305)
Finance lease - discount to present value				7,577		5,662
Total local currency				95,208	128,054	104,327
Total Company				95,208	128,054	104,327
Current liabilities				49,003		47,781
Non-current liabilities				46,205		56,546

				Consolidated		
Credit line	Charges (% p.a.)	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Balance 06/30/10 (at present value)	Future payments 06/30/10	Balance 03/31/10 (at present value)
Local currency						
Finance lease of vehicles	CDI + Rate	11.2%	2.6	24,577	17,748	24,718
Finance lease of IT equipment	CDI + Rate	8.5%	2.8	20,730	13,025	22,512
Finance lease of machinery and equipment	CDI + Rate	12.5%	3.4	25,312	25,476	26,464
Finance lease of industrial facilities	CDI + Rate	11.4%	2.4	47,445	42,011	53,632
Finance lease of buildings	CDI + Rate	11.6%	1.8	39,891	31,293	45,908
Interest due				(68,974)	-	(73,305)
Finance lease - discount to present value				7,577	-	5,662
Total local currency				96,558	129,553	105,591
Foreign currency						
Finance lease of vehicles	Rate	5.9%	2.1	1,278	2,210	1,338
Finance lease of IT equipment	Rate	16.0%	0.5	16	7,496	21
Finance lease of machinery and equipment	Rate	7.9%	2.4	31,759	37,701	32,785
Finance lease of industrial facilities	Rate	12.0%	2.2	1,782	3,219	1,937
Finance lease of buildings	Rate	3.6%	1.4	-	4,610	2,558
Total foreign currency				34,835	55,236	38,639
Total Consolidated				131,393	184,789	144,230
Current liabilities				62,959		61,506
Non-current liabilities				68,434		82,724

According to Technical Pronouncement CPC No. 12, approved by CVM Resolution No. 564/08, finance lease payable was adjusted at present value as described in note 3 (l).

Below is the lease maturity schedule:

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Local currency				
2Q10	-	11,921	-	12,021
3Q10	12,224	11,941	12,335	12,041
4Q10	12,220	11,936	12,322	12,025
1Q11	12,268	11,983	12,370	12,071
2Q11	12,291	-	12,392	-
2011	21,992	38,448	22,165	38,701
2012	21,534	16,630	21,884	16,939
2013	2,678	1,468	2,960	1,703
2014	1	-	105	73
2015			25	17
Total local currency	95,208	104,327	96,558	105,591
Foreign currency				
2Q10	-	-	-	3,166
3Q10	-	-	3,560	2,967
4Q10	-	-	3,345	2,875
1Q11	-	-	3,295	4,340
2Q11	-	-	3,340	9,473
2011	-	-	5,213	9,616
2012	-	-	9,994	4,590
2013	-	-	4,467	1,612
2014	-	-	1,621	-
Total foreign currency	-	-	34,835	38,639
Total lease	95,208	104,327	131,393	144,230

The schedule of current and future minimum lease payments is the following:

	Company	
	06/30/10 (at present value)	03/31/10 (at present value)
Local currency		
Up to 1 year	49,003	47,781
From 1 to 5 years	46,205	56,546
More than 5 years	-	-
	95,208	104,327

	Consolidated	
	06/30/10 (at present value)	03/31/10 (at present value)
Local currency		
Up to 1 year	49,419	48,158
From 1 to 5 years	47,139	57,433
More than 5 years	-	-
	96,558	105,591
	06/30/10	03/31/10
Foreign currency		
Up to 1 year	13,540	13,348
From 1 to 5 years	21,295	25,291
More than 5 years	-	-
	34,835	38,639
	131,393	144,230

Following are the guarantees for the leases:

	Company		Consolidated	
	06/30/10	3/31/10	06/30/10	3/31/10
Local currency				
Guarantees:	-	-	-	-
Financed asset	95,208	104,327	96,558	105,591
Total local currency	95,208	104,327	96,558	105,591
Foreign currency				
Guarantees:	-	-	-	-
Financed asset	-	-	34,835	38,639
Total foreign currency	-	-	34,835	38,639
Total	95,208	104,327	131,393	144,230

b. Operating Lease

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

Operating lease as of 30 June 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 06/30/10
	Local currency					
CSI LATINA A. M. S.A	IT equipment	09/21/07	10.09%	0.1	1,263	233
CSI LATINA A. M. S.A	IT equipment	08/17/08	14.12%	2.6	1,155	156
CSI LATINA A. M. S.A	IT equipment	04/16/10	14.34%	2.7	1,206	48
CSI LATINA A. M. S.A	IT equipment	04/16/10	14.34%	2.7	1,163	269
CSI LATINA A. M. S.A	IT equipment	04/23/10	14.34%	2.7	7,784	743
CSI LATINA A. M. S.A	IT equipment	05/19/10	14.34%	2.8	1,681	378
CSI LATINA A. M. S.A	Machinery and equipment	05/21/06	6.95%	0.0	2,633	125
CSI LATINA A. M. S.A	Machinery and equipment	07/21/08	14.12%	2.5	4,086	1,307
	Total local currency				20,971	3,259

Consolidated

Financial institution	Leased asset	Start date	Weighted average interest rate (p.a.)	Weighted average maturity (years)	Total amount financed	Expense at 06/30/10
	Local currency					
CSI LATINA A. M. S.A	IT equipment	09/21/07	10.09%	0.1	1,263	233
CSI LATINA A. M. S.A	IT equipment	08/17/08	14.12%	2.6	1,155	156
CSI LATINA A. M. S.A	IT equipment	04/16/10	14.34%	2.7	1,206	48
CSI LATINA A. M. S.A	IT equipment	04/16/10	14.34%	2.7	1,163	269
CSI LATINA A. M. S.A	IT equipment	04/23/10	14.34%	2.7	7,784	743
CSI LATINA A. M. S.A	IT equipment	05/19/10	14.34%	2.8	1,681	378
CSI LATINA A. M. S.A	Machinery and equipment	05/21/06	6.95%	0.0	2,633	125
CSI LATINA A. M. S.A	Machinery and equipment	07/21/08	14.12%	2.5	4,086	1,307
Frigorifico Mercosul	Meat packing plant	09/21/09	IGP-M Ano	4.2	100,000	2,142
Frigorifico Margem	Meat packing plant	10/09/09	IGP-M Ano	4.2	164,500	3,727
Frigorifico 4 Rios	Meat packing plant	12/01/09	IGP-M Ano	4.2	9,600	696
Frigorifico Boivi	Meat packing plant	12/29/09	IGP-M Ano	5.0	6,000	-
	Total local currency				301,071	9,824

The maturity schedule of the amount financed from operating leases payable is as follows:

	Company 06/30/10
Local currency	
Up to 1 year	5,938
From 1 to 5 years	10,243
More than 5 years	-
	16,181

	Consolidated 06/30/10
Local currency	
Up to 1 year	19,068
From 1 to 5 years	270,648
More than 5 years	-
	289,716

The operating leases the Company contracted do not have any restrictions or contingencies. The agreements have been executed according to common market practices and, in some cases, contain re-pricing 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. The consideration is 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; 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 damage.

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 PAYABLE

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Notes payable - investments in Europe	-	-	101,320	49,868
Notes payable - investments in Brazil	30,663	29,484	30,663	29,484
Notes payable - Sponsorship	-	-	17,334	-
Other	690	3,750	3,351	3,750
Discount to present value	(2,224)	(2,158)	(2,224)	(2,158)
	29,129	31,076	150,444	80,944

According to the material development disclosure made to the market on June 23, 2008 to announce that Marfrig acquired companies in Europe and Brazil, the Company contracted a potential payment of up to US$ 220 million, based on the future performance of the businesses located in Europe. This acquisition was approved at the Board of Directors' Meeting on October 31, 2008 and the Extraordinary Shareholders' Meeting on December 1, 2008.

In the second quarter of 2010 the operational performance targets of the businesses located in Europe have been partially met, triggering a payment of US$ 28 million or R$ 50,442. In the first quarter of 2010 the payment was US$ 28 million, i.e. the accumulated amount payable as of 30 June 2010 is R$101,320 million.

In connection with this obligation, the Company increased the goodwill amount related to said acquisition, as described in Note 12, and in 2010 the total goodwill amount will be measured in conformity with Pronouncement CPC 15 "Business Combination" and CVM Resolution No. 603/2009, with effects on the 2009 comparative financial statements for 2010.

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 permits to disclose the sponsorship of the "TEAMS" through display and associations to the SEARA, MONTANA, BASSI, DAGRANJA, PALATARE and other brands and products 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 on national and foreign territory. 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 sleeves of the shirts of the teams participating in the São Paulo championships, Brazil Cup, South American Cup and Brazilian Championship in 2001.

19. PROVISIONS

The Company and its controlled companies are involved in several lawsuits, in the ordinary course of business, for which provisions based on legal counsellors' estimates have been set up. The principal information about these lawsuits is presented below:

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Labour and social security	2,236	2,044	45,255	50,538
Tax	1,813	2,177	273,034	322,171
Civil	2,625	2,337	16,389	15,397
Other	-	-	3,790	3,921
	6,674	6,558	338,468	392,027

Labour

As of 30 June 2010, the Company and its controlled companies were parties to various labour claims. Based on the Company's and its controlled companies' payment history, a provision of R$45,255 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 controlled companies refer to matters usually questioned in this industry, such as dismissal for just cause, preparation time, break time for personnel who works in refrigerated environment, and commuting time among others.

Tax

Tax contingencies refer mostly to the following taxes:

ICMS (State VAT)

According to the management and its legal counsellors, all tax lawsuits of the Company are rated as a probable unfavourable outcome, seeing the historical value paid 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, 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 June 2010, there was an administrative proceeding stating income omission at the historical value of R$1,233. The administrative defence was filed, which was analyzed by authorities. A final report was issued establishing an amount payable of R$28, which it is accrued for.

The controlled company Seara has filed administrative proceedings discussing the disallowance of refund requests of PIS/COFINS credits, totalling R$85,572. 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 expense.

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 value of R$19,180, 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 escrow 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$4,641 of tax risks immaterialised until this moment.

Seara has booked a provision for Corporate Income Tax (IRPJ) and for Social Contribution Tax (CSLL) of R$29,318 on complementary PIS/COFINS credits related to the acquisition of agricultural inputs.

In addition, the Company has recorded a provision of R$ 12,184 for contingencies to cover losses on other ongoing lawsuits.

Civil

The civil suits of the Company and its controlled companies involve disputes typically related to business agreements and indemnities. None of those proceedings is individually material. As of 30 June 2010, Management, based on the opinion of legal counsellors, recognised a provision in the amount of the lawsuits classified as probable losses, totalling R$16,389.

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

Contingent liabilities, not subject to accounting, according to prevailing standards, are shown below:

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Labour and social security	33,604	38,368	109,555	120,333
Tax	67,533	36,321	154,164	72,466
Civil	1,276	2,649	226,027	230,101
	102,413	77,338	489,746	422,900

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

The other civil actions of the Company and its controlled companies involve disputes related to commercial and indemnity agreements, which individually are not significant.

Most of the labour claims filed against the Company and its controlled companies, which in the opinion of the Company's legal counsellors are rated as possible losses, refer to common matters in that industry, such as dismissal for just cause, overtime, preparation time, break time for the personnel that works in refrigerated environment, and commuting time, among others. However, the Company's management explains that individually no labour claim is significant.

We 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 controlled companies.

Federal Taxes and Contributions

As of 30 June 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 on Net Income, Contributions for the Social Integration Program (PIS) and Contribution for Social Security Funding (COFINS), payable due to assumed omission of income, determined by comparison of amounts stated and booked with invoices presented by suppliers, (ii) differences in payments of PIS and COFINS debts, at historical value of approximately R$2,371, for which a provision was not recognized and, based on the opinion of legal counsellors, are rated as possible losses, (iii) exclusion of ICMS from the tax bases of PIS and COFINS. 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, as according to 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 in their tax bases, and that inspectors deemed the amounts, what is forbidden in certain cases. Such defences have not been analyzed yet.

The controlled companies have administrative proceedings associated with federal tax credits offset with 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. Such companies are parties to court actions discussing their right to the offset under the manner executed.

PIS and COFINS on import

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 currently is in effect, against which the Federal Government has filed an appeal that will be judged at the 3rd Federal Court of Appeals. The mentioned action generates favourable effects on cash flows, as allows the payment of those taxes during the sale of the goods, and not in advance during the import.

ICMS (State VAT)

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 erroneous 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 transference 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 entered values correspond to the difference between the amount separately identified in the goods receiving documents at the distribution centre and paid to the State of origin. The Company has filed administrative defences questioning the demand of those debts that have not been analyzed yet in a definitive manner. The historical value demanded in those administrative proceedings corresponds to R$155,156. There is administrative discussion in the total amount of R$ 84,851.The Company has filed a lawsuit claiming the suspension of the enforceability of that credit, whose administrative phase has been finished and corresponds to R$42,299. Among the lawsuits whose administrative discussion has ended, a tax collection lawsuit was filed in the amount of R$28,315, which is suspended due to prior relief granted to the company. The controlled company 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 administrative level. Court proceedings have been filed for the actions whose administrative phase is finished.

20. DEFERRED TAXES

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Income tax	25,726	26,249	74,168	75,305
Social contribution tax	9,262	9,449	18,871	19,960
	34,988	35,698	93,039	95,265

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

21. SHAREHOLDERS' EQUITY

a. Capital stock

Subscribed and paid-in capital stock as of 30 June 2010 totals R$ 4,061,478 (the same amount as of 31 March 2010) and is represented by 346,983,954 common shares without par value. Capital, less expenditure of public and private share issue, is R$3,986,547 (3,989,966 as of 31 March 2010).

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

Pursuant to the Company's by-laws, at discretion of the Board of Directors, capital stock can be increased through issuance of up to 500,000,000 (five hundred million) common shares and under the conditions the Board defines, independently of amendments to the by-laws.

Also at discretion of the Board of Directors, the Company can issue shares without preferential rights or with the period reduction provided in paragraph 4 of article 171 of Law no. 6,404/76 for shares and debentures convertible into shares or subscription warrants. Their placement should be made through sale at stock exchange or public subscription, or by means of exchange for shares in a public offer for acquisition of ownership interest, under the terms of the law and within the limit of authorized capital.

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

The call option of shares, the conditions under which shareholders will have preferential rights to subscription, or the inexistence of such right in relation to the management, employees, or individuals who render services to the Company or other companies under its control are presented in note 22.

b. Income Reserves

Legal reserve

It is based on 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 recognized as legal reserve. The adjusted balance as of 31 December 2009 was R$37,171, which remains unchanged as of 30 June 2010.

Appropriation of net income

At the General Shareholders' Meeting held on 30 April 2010, it was approved the appropriation of net income corresponding to R$460,183, destined to finance part of the investments projected for 2010, whose amount is supplied in the Management Report – item 14 - Business Projections of Results. The balance of that reserve at 30 June 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. These shares will be entitled to dividends and earnings occasionally distributed by the Company.

In 2009, 124,100 shares were transferred to the management of the Company, in compliance with the stock option plan described in note 22. One share was transferred to board members in the year.

In the six-month period ended 30 June 2010, 131,000 shares were transferred to the management of the Company, in compliance with the stock option plan described in note 22. One share was transferred to board members in the year.

As of 30 June 2010, the balance of treasury shares is 440,498, booked at the value of R$8,211.

The value of treasury shares, priced at R$16.88/share in the last trading session before 30 June 2010 was R$7,436.

c. Asset and liability valuation adjustments

Under CVM Resolution No. 534/08, the Company created the account subgroup “Asset and liability valuation adjustments” to record exchange variations on corporate investments abroad. The controlled company is an entity independent from its parent company in Brazil.

d. 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 variations resulting from the translation of the foreign subsidiaries’ financial statements where the investee’s functional currency is different from that of the controlling company.

e. Dividends

Under the provisions of the Brazilian Corporate Law and the Company’s by-laws, the Company’s mandatory dividend is equivalent to at least 25% of adjusted net income determined in the Company’s financial statements. The annual declaration of dividends, including their payment, besides the mandatory minimum dividend, was approved at the Annual Shareholders’ Meeting by a majority of votes from the shareholders of the Company and depends on several factors such as: operating income, financial condition, cash needs, and future prospects for the Company, and others that the Board of Directors and shareholders deem relevant.

In the General Shareholders' Meeting held on 30 April 2010, the following dividend distribution proposal for the fiscal year 2009 was approved:

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

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

f. Interest on Capital

Article 9 of Law No. 9,249 of 26 December 1995, with the modifications introduced by article 88, XXVI, Law No. 9,430/96 allowed the deductibility, for purposes of income tax and social contribution, of interest on capital paid to shareholders, calculated based on TJLP (long-term interest rate variation).

In the General Shareholders' Meeting held on 30 April 2010, the following proposal for distribution of interest on capital for the year 2009 was approved:

Description	In thousands of reais
Shareholders' equity as of December 31, 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 capital	169,720
(-) IRRF(withholding income tax)	(23,661)
Interest on capital, net	146,059

g. Minority interest

Refers to the interest of minority shareholders in the Company's shareholders' 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 objective of this policy is to motivate the executive officers of the 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. The 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 is composed 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 – Composed 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 in 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 organization. The macro policies are approved by the corporate governance and compensation committee.

Supervisory Board

The Supervisory Board 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 and paid on a monthly basis and there is no variable pay.

Following are the amounts received in the period from 1 April to 30 June 2010:

Management compensation comprise the compensation of 4 members of the Board of Directors (the other 4 opted for not receiving compensation as Directors), 3 members of the Supervisory Board (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, composed of one Member of the Board of Directors (coordinator), President and Human Resources Officer.

Department	Total compensation		Total
	Fixed	Variable	
Board of	548,623	-	548,623
Directors	813,371	-	813,371
Supervisory Board	30,000	-	30,000
	1,391,994	-	1,391,994

Stock Option Plan

The Company has a long-term stock option-based variable compensation program 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 June 2010 the Company's stock option program had 80 participants.

In the period ended 30 June 2010, 131,000 shares were transferred to the management of the Company under the stock option plans, representing a negative effect on income for the period of R$2,172.

There will be no dilution of the participation of current shareholders when the restricted shares or options are exercised ("vesting"), given that the shares are kept in treasury for this purpose.

The total number of options not exercised as of 30 June 2010 was 621,630 options.

The fair value of the options was calculated according to the Black-Scholes methods, based on TJLP (Long-Term Interest Rate) of 6% per year and with implicit volatility (adjusted beta calculated in the period from 1 July 2009 to 30 June 2010) of 101.4%. The value of the options on 30 June 2010 in the different programs and maturities was between a maximum of R$13,234 and a minimum of R$3,292 per share for directors and between a maximum of R$16,333 and a minimum of R$16,125 per share for the executive board.

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

Closing date	06/30/10
Price	16.88

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 12/31/2009	**80**				**878,330**	**144,000**	**125,700**		**752,630**
Board of Directors	3	MASTER 07-08	03/03/08	04/03/09	13,800	13,800	13,800		-
	3	MASTER 07-08	03/03/08	04/03/10	13,800	13,800			13,800
	3	MASTER 07-08	03/03/08	04/03/11	13,800				13,800
	3	MASTER 07-08	03/03/08	04/03/12	13,800				13,800
					-				
Board of Directors	3	MASTER 08-09	07/28/2009	04/03/10	27,650	27,650	-		27,650
	3	MASTER 08-09	07/28/2009	04/03/11	27,650				27,650
	3	MASTER 08-09	07/28/2009	04/03/12	27,650				27,650
	3	MASTER 08-09	07/28/2009	04/03/13	27,650				27,650
					-				
Executives	13	ESP II CP 08-09	07/28/2009	07/28/2009	80,200	80,200	-	80,200	-
	20	ESP I LP 07-08	07/28/2009	07/28/2009	50,000	50,000		45,500	4,500
	20	ESP I LP 07-08	07/28/2009	04/03/10	50,000	50,000	37,600		12,400
	20	ESP I LP 07-08	07/28/2009	04/03/11	50,000				50,000
	20	ESP I LP 07-08	07/28/2009	04/03/12	50,000				50,000
	73	ESP III LP 08-09	07/28/2009	04/03/10	108,083	108,083	79,600		28,483
	73	ESP III LP 08-09	07/28/2009	04/03/11	108,083				108,083
	73	ESP III LP 08-09	07/28/2009	04/03/12	108,082				108,082
	73	ESP III LP 08-09	07/28/2009	04/03/13	108,082				108,082
Options granted	-	-							-
Options cancelled	-	-							-
Options expired	-	-							-
Oustanding options on 06/30/2010	**80**				**878,330**	**343,533**	**131,000**	**125,700**	**621,630**

	Sole beneficiaries	Stock option plan	Option exercise price	Date of expiration	Option value on 30/06/2010 (Black Scholes) in R$	Market value - unvested options on 06/30/2010 (R$ thousand)	Market value - vested options outstanding on 06/30/2010 (R$ thousand)	Effects on net income as of 06/30/2010 if booked
Outstanding options on 12/31/2009	**80**					**11,013**	**118**	**(14,095)**
Board of Directors	3	MASTER 07-08	13.588	02/09/10	3.292	-	-	-
	3	MASTER 07-08	13.588	02/09/10	3.292	-	45	(70)
	3	MASTER 07-08	13.588	02/09/11	6.970	96	-	(70)
	3	MASTER 07-08	13.588	02/09/12	9.603	133	-	(70)
Board of Directors	3	MASTER 08-09	6.77830	03/03/11	10.102	-	279	(328)
	3	MASTER 08-09	6.77830	03/03/12	10.892	301	-	(328)
	3	MASTER 08-09	6.77830	03/03/13	12.244	339	-	(328)
	3	MASTER 08-09	6.77830	03/03/14	13.234	366	-	(328)
Executives	13	ESP II CP 08-09	1.03823	11/30/09	-	-	-	-
	20	ESP I LP 07-08	0.75485	02/09/10	16.125	-	73	(80)
	20	ESP I LP 07-08	0.75485	02/09/10	16.125	-	200	(222)
	20	ESP I LP 07-08	0.75485	02/09/11	16.155	808	-	(894)
	20	ESP I LP 07-08	0.75485	02/09/12	16.206	810	-	(894)
	73	ESP III LP 08-09	0.67783	02/09/10	16.202	-	462	(512)
	73	ESP III LP 08-09	0.67783	02/09/11	16.229	1,754	-	(1,941)
	73	ESP III LP 08-09	0.67783	02/09/12	16.274	1,759	-	(1,941)
	73	ESP III LP 08-09	0.67783	02/09/13	16.333	1,765	-	(1,941)
Options granted	-	-				-	-	-
Options cancelled	-	-				-	-	-
Options expired	-	-				-	-	-
Outstanding options on 03/31/2010	**80**					**8,131**	**1,059**	**(9,948)**

23. INSURANCE COVERAGE

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

The risk assumptions adopted, in view of their nature, are not part of the scope of an audit of financial statements and, accordingly, have not been examined by the independent auditors of the Company.

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

	Company		Consolidated	
Description	06/30/10	03/31/10	06/30/10	03/31/10
Meat packing buildings and facilities	874,105	903,300	5,822,822	4,418,288
Inventories and loss of profit	203,973	192,876	1,889,807	2,050,428
Third-party warehouse	76,712	12,000	316,100	59,411
Vehicles	11,181	12,712	18,622	28,331
Transportation of goods	333,333	333,333	1,320,761	2,026,242
Officers' guarantees	40,000	40,000	91,169	109,386
Civil liability	2,956	-	199,945	203,834
Other	535,940	346,725	576,402	632,306
	2,078,200	1,840,946	10,235,628	9,528,226

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

	Company		Consolidated	
Description	06/30/10	03/31/10	06/30/10	03/31/10
Meat packing buildings, facilities and inventories*	43,492	48,608	2,696,739	2,702,554
Loss of profit	12,792	12,792	1,166,787	1,158,739
Third-party warehouse	7,675	7,675	46,250	47,411
Vehicles	488	581	7,157	6,799
Transportation of goods	6,804	8,037	1,306,712	1,280,685
Officers' guarantees	14,782	14,094	91,169	69,387
Civil liability	2,956	1,762	206,989	195,234
Other	535,940	346,725	680,529	463,356
	624,929	440,274	6,202,332	5,924,164

24. FINANCIAL INSTRUMENTS – DERIVATIVES AND RISK MANAGEMENT - CONSOLIDATED

a. Overview

The Company and its controlled companies are exposed to market risks related to exchange, interest rate and commodities price fluctuations. In order to minimize these risks, the Company has risk management policies and procedures and may use hedging instruments, as long as previously approved by the Board of Directors.

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

Management is authorized to perform any of the acts listed below up to the amount equivalent to ten percent (10%) of the Company's shareholders' equity based on the last financial statements disclosed to 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 preceding paragraph are: a) offer guarantee for the obligations of the Company's controlled companies and/or wholly owned subsidiaries; (b) approve acquisitions and/or disposals of permanent asset items; (c) approve financial transactions, including leases; and (d) approve a transaction 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 that do not offer a minimum protection against its exposure to other currencies, and adopts a conservative policy of not entering into transactions that could affect its financial position.

The Company also has a sound financial policy, maintaining high level of cash balance and short-term cash investments. At the same time, the maturity of the Company's long-term indebtedness is such that it does not affect 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 that affect the Company's assets and liabilities indexed to the TJLP (long-term interest rate), LIBOR or CDI (interbank deposit rate).

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

c. Commodity price risk management

During its activities, the Company purchases some commodities, such as: corn, soybean 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.

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

To reduce the impact over commodities, the Company manages inventory levels, keeps cattle confined, and trades cattle at BM&F BOVESPA.

In the period ended 30 June 2010, the Company did not have derivatives for hedging against commodity price fluctuations.

d. Exchange risk management

Exchange rate risk consists of the risk of foreign exchange fluctuations leading the Company to incur losses and causing a reduction in the value 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 66.58% 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 cash 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 derivative position

Assets and liabilities in foreign currency are as follows:

			COMPANY
EXPOSURE			Effects of exchange variation on income and
Description	06/30/10	03/31/10	expenses
OPERATING			
Accounts receivable	322,532	226,871	10,416
ACE (advance on export contracts)	(255,719)	(196,068)	(6,789)
Imports payable	(13,086)	(19,898)	(693)
Subtotal	53,727	10,905	2,934
FINANCIAL			
Loans and financing	(3,390,204)	(3,169,424)	(166,357)
Notes payable	(12,800)	(30,473)	(3,901)
ACC (advance on exchange contracts)	(376,648)	(461,849)	(44,609)
Banks and cash investments	238,375	67,081	2,293
Subtotal	(3,541,277)	(3,594,665)	(212,574)
TOTAL	(3,487,550)	(3,583,760)	(209,640)
Exchange variation gain			12,709
Exchange variation loss			(222,349)
Exchange variation, net			(209,640)

	CONSOLIDATED		
EXPOSURE			Effect of exchange variation on income
Description	06/30/10	03/31/10	and expenses
OPERATING			
Accounts receivable	646,348	441,793	26,584
ACE (advance on export contracts)	(609,715)	(341,989)	(6,789)
Imports payable	(49,283)	(42,456)	(11,134)
Other	(30,140)	(29,838)	1,488
Subtotal	(42,790)	27,510	10,149
FINANCIAL			
Loans and financing	(4,719,785)	(3,601,760)	(170,017)
Notes payable	(32,197)	(30,473)	(3,951)
ACC (advance on exchange contracts)	(686,923)	(787,973)	(68,919)
Banks and cash investments	244,224	71,972	1,039
Other	-	11,649	-
Subtotal	(5,194,681)	(4,336,585)	(241,848)
TOTAL	(5,237,471)	(4,309,075)	(231,699)
Exchange variation gain			29,111
Exchange variation loss			(260,810)
Exchange variation, net			(231,699)

As of 30 June 2010, outstanding derivatives were as follows:

Instrument	Record	Maturity	Receivable	Payable	Counterparty of principal amount	Notional value US$ (2)	Notional amount R$ -2	06/30/10 Fair value receivable -) payable (1)	03/31/10 Fair value receivable -) payable (1)
Interest rate swap	(3)	08/02/12	Libor above 2.02%	Libor below 2.02%	BB London	16,800	30,710	(445)	(429)
Interest rate swap	(3)	02/25/11	Libor above 1.83%	Libor below 1.83%	BB London	20,000	36,429	(399)	(367)
Interest rate swap	(3)	02/22/12	Libor above 2.08%	Libor below 2.08%	BB London	30,000	55,033	(988)	(1,017)
Interest rate swap	(3)	02/14/13	Libor above 2.4%	Libor below 2.4%	BB London	39,500	73,621	(2,462)	(1,509)
Interest rate swap	(3)	03/20/13	Libor above 2.38%	Libor below 2.38%	BB London	10,500	19,542	(626)	(336)
Interest rate swap	(3)	03/06/15	Libor above 2.18%	Libor below 2.18%	BB London	75,000	137,221	(2,109)	(994)
Interest rate swap	(3)	12/24/12	Libor above 2.10%	Libor below 2.10%	BB London	30,000	54,711	(666)	(1,003)
Interest rate swap	CETIP	08/14/14	Libor above 1.94%	Libor below 1.94%	Citibank	100,000	181,260	(3,160)	(1,262)
Interest rate swap	CETIP	08/14/14	Libor above 2.00%	Libor below 2.00%	Citibank	160,000	291,315	(6,355)	(2,143)
						481,800	879,842	(17,210)	(9,060)

Instrument	Record	Maturity	Receivable	Payable	Counterparty of principal amount	Notional value US$ (2)	Notional amount R$	06/30/10 Fair value receivable (-) payable (1)	03/31/10 Fair value receivable -) payable (1)
Call option	CETIP	08/02/12	US$ above 1.7663 2.1373% in the period		Itau BBA	100,000	180,150	(750)	-
Call option	CETIP	08/02/12	US$ above 1.7980 2.1373% in the period		Itau BBA	100,000	180,150	(591)	-
Call option	CETIP	08/02/12	US$ above 1.7930 2.0914% in the period		Itau BBA	100,000	180,150	(493)	-
Call option	CETIP	1/9/2010	US$ above 1.8535 3.1507% in the period		JP Morgan	100,000	180,150	(1,353)	-
						400,000	720,600	(3,187)	-

(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.

Table of Sensitivity Test - Cash effect (for each derivative)

SWAP SCENARIO

Amount	Maturity	Probable		Possible		Remote	
US$ (thousand)		R$	Libor	R$	Libor	R$	Libor
16,800	08/02/12	118	2.49%	243	2.98%	368	3.48%
20,000	02/25/11	(19)	1.74%	51	2.08%	121	2.43%
30,000	02/22/12	172	2.37%	456	2.84%	740	3.31%
39,500	02/14/13	556	2.87%	1,235	3.44%	1,915	4.02%
10,500	03/20/13	179	2.87%	390	3.44%	600	4.02%
75,000	03/06/15	5,625	4.54%	7,790	5.45%	9,955	6.35%
30,000	12/24/12	515	2.78%	938	3.33%	1,361	3.89%
100,000	08/14/14	6,194	4.03%	8,582	4.84%	10,970	5.64%
160,000	08/14/14	11,278	4.03%	15,754	4.84%	20,229	5.64%
481,800		24,618		35,439		46,259	

CALL OPTION SCENARIO

Amount	Maturity	Probable		Possible		Remote	
US$ (thousand)		R$	US$	R$	US$	R$	US$
100,000	08/02/12	45,038	2.2519	90,075	2.7023	135,113	3.1526
100,000	08/02/12	45,038	2.2519	90,075	2.7023	135,113	3.1526
100,000	08/02/12	45,038	2.2519	90,075	2.7023	135,113	3.1526
100,000	1/9/2010	45,038	2.2519	90,075	2.7023	135,113	3.1526
400,000		180,152		360,300		540,452	

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

There were also call option operations in the amount of US$ 400 million at the values of R$ 1.7663, R$ 1.7980, R$ 1.7930 and R$ 1.8535/USD as foreign currency hedge for payment of the acquisition of Keystone Foods LLC.

In the period ended 30 June 2010, net financial expenses from derivatives totalled R$15,526, with R$26,292 relating to expenses and R$10,766 relating to income.

Assets and liabilities recorded as of 30 June 2010 for derivative transactions conducted for hedging purposes are as follows:

	Company		Consolidated	
	06/30/10	03/31/10	06/30/10	03/31/10
Swap	(17,210)	(9,060)	(17,210)	(9,060)
Call option	(3,187)	-	(3,187)	-
	(20,397)	(9,060)	(20,397)	(9,060)

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

25. INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes were calculated in accordance with prevailing legislation and the Temporary Tax Regime, provided for in Executive Act No. 449/2008.

Income and social contribution tax calculations and returns are open to review and final assessment by tax authorities for varying statutory periods in relation to the payment or filing date.

Reconciliation of income and social contribution taxes reported in the statement of income for the period:

Tax		Company		Consolidated	
		06/30/10	03/31/10	06/30/10	03/31/10
Income (loss) before tax effects		88,391	(10,521)	(85,243)	2,007
Add-backs					
Income tax additions		136,903	69,200	323,075	155,988
Social contribution additions		117,935	50,854	303,032	137,642
(-) Deductions		(431,262)	(221,831)	(833,743)	(554,339)
Tax base					
Income tax base		(205,968)	(164,152)	(595,911)	(396,344)
Social contribution tax base		(224,936)	(182,498)	(615,953)	(414,690)
(-) Offset of tax loss carryforwards				(4,554)	(3,539)
Income tax base after offset		(205,968)	(164,152)	69,439	17,520
Social contribution tax base after offset		(224,936)	(182,498)	69,439	17,520
Income tax (15%)		-	-	(10,414)	(2,631)
Surtax (10%)		-	-	(6,902)	(1,699)
(-) PAT (Workers' Meal Program)		-	-	51	40
Total income tax		-	-	(17,265)	(4,290)
Social contribution tax (9%)		-	-	(6,250)	(1,577)
		-	-	(23,515)	(5,867)
(-)Difference in tax rate on foreign income				9,133	(1,369)
Effect on the statement of income				(14,382)	(7,236)

Tax	Group	06/30/10	03/31/10	06/30/10	03/31/10
(-) Current income tax	Current liabilities	-	-	(12,605)	(6,300)
Tax paid abroad		-	-	(3,402)	2,683
Deferred income tax - Revaluation (1)	Non-current liabilities	1,046	523	(2,699)	576
Deferred income tax - Assets (2)	Non-current assets	57,014	36,649	236,503	77,934
Other provisions	Non-current liabilities	-	-	(39,729)	(47,429)
Net	Income	58,060	37,172	178,068	27,464
(-) Current social contribution tax	Current liabilities	-	-	(1,777)	(936)
Deferred social contribution tax - Revaluation (1)	Non-current liabilties	375	187	414	207
Deferred social contribution tax - Other (2)	Non-current assets	22,233	14,846	73,946	17,226
Other provisions	Non-current liabilities	-	-	(5,799)	(6,200)
Net	Income	22,608	15,033	66,784	10,297

(1) Refer to the reversal of deferred income and social contribution taxes stated in note 20, considering the add-back of depreciation of revalued assets to the income and social contribution tax bases.

(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 income and social contribution tax bases; utilization for tax purposes of the goodwill paid based on future earnings 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 Social Action Department was created 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 green house 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. To that end, beginning on the mentioned date, the Company requested BDO Auditores Independentes to perform specific review procedures on cattle acquisitions, to 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.

As part of its sustainability policies, Marfrig also has the objective of:

- Developing good social and environmental practices with cattle farmers.

- Implementing the Program named "*Impulso Pecuário*", that aims at the training and recognition of good practices to improve productivity in the field, as already happens in the controlled companies in Argentina and Uruguay.

- Making available the results of the above-mentioned programs 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 13 July 2010, the Brazilian Security and Exchange Commission – CVM approved the level 1 American Depositary Receipts – ADRs program. The ADRs will traded in the US with the following characteristics: a) Sponsor: Marfrig Alimentos S.A., b) Program level: level 1 ADR program; c) Security: common shares issued by the Company; d) Depository Institution: Deutsche Bank Trust Company Americas; e) Custodian Institution: Itaú Unibanco S.A.. f) Ratio between Company issued shares and ADRs: one common share issued by the Company.

On 20 July 2010, the Company communicated to its shareholders and the market in general that BNDES Participações S.A. – BNDESPAR, under BNDESPAR Decision No. 77/2010, decided to subscribe up to 100% of the private issue of 250,000 debentures mandatorily convertible into Company common shares in the amount of R$2,500,000,000.00.

The above operation was ratified at the Extraordinary Shareholders' Meeting held on 30 June 2010, and the terms of the indenture were approved at the joint meeting of the Board of Directors and Supervisory Board on 19 July 2010, the minutes of which have been disclosed to the market on the same date by the IPE system.

On 2 August 2010 Marfrig Alimentos S.A. filed in the IPE system of CVM / BM&FBOVESPA a Notice to Shareholders announcing the start date of 4 August for subscription of the above-mentioned debentures until 3 September 2010. After that date, the remaining debentures will be subscribed by interested shareholders.

Additional information concerning the matters presented herein is available in our investor relations website (www.marfrig.com.br/ri) and CVM / BM&FBOVESPA IPE system.

On 10 August 2010, in compliance with article 157, paragraph 4 of Law No. 6.404/76 and provisions of CVM Instruction No. 358 of 3 January 2002 and its subsequent changes, Marfrig Alimentos S.A., listed on BM&FBOVESPA New Market under code "MRFG3" ("Company"), informs to its shareholders and the market in general that its managers became aware on this date of the signature between MMS Participações S.A. and BNDES Participações S.A. – BNDESPar of a Shareholders' Agreement whose electronic copy is available on the Company's site (www.marfrig.com.br/ri) and that of the Brazilian Securities and Exchange Commission – CVM (www.cvm.gov.br), on the internet.

The effectiveness of the Shareholders' Agreement will depend on BNDESPAR's subscribing and paying in all debentures and debenture remains it is entitled to under the Company's Second Issue of Debentures, except for veto powers, which come into effect immediately.

The Company also informs that it is making the proper registration with Itaú-Unibanco S.A., the depositary institution for the Company's issued shares, to meet the requirements set by Article 118, heading, and paragraph 1 of Law No. 6.404/76.

On 13 August 2010 Revista Isto É Dinheiro, a business magazine published by Editora Três, granted Marfrig Group the award of Best Company in Financial Sustainability Management, during an event held yesterday in (SP) to grant awards to the Best of Dinheiro 2010.