ANNUAL REPORT 2010

MARFRIG
GROUP

PROFILE OF THE MARFRIG GROUP

MARFRIG GROUP IS ONE OF THE LARGEST GLOBAL PRODUCERS OF FOOD PRODUCTS BASED ON BEEF, PORK, POULTRY AND FISH MEAT. ITS DIVERSIFIED OPERATING BASE INCLUDES 150 PRODUCTION, COMMERCIAL AND DISTRIBUTION UNITS SPREAD ACROSS 22 COUNTRIES AND FIVE CONTINENTS. THE COMPANY IS CONSIDERED AS ONE OF THE MOST INTERNATIONALIZED AND DIVERSIFIED COMPANIES IN THE BRAZILIAN FOOD SECTOR AND ITS PRODUCTS ARE PRESENT IN MORE THAN 140 COUNTRIES. ELECTED THE BEST BRAZILIAN AGRIBUSINESS COMPANY BY EXAME MAGAZINE IN 2010, WITH A BROAD PORTFOLIO AND WELL-KNOWN BRANDS BOTH IN BRAZIL AND ABROAD, MARFRIG IS THE WORLD'S FOURTH LARGEST FOOD COMPANY, AS WELL AS THE WORLD'S THIRD LARGEST PRODUCER OF BEEF PRODUCTS AND BRAZIL'S SECOND LARGEST PRODUCER AND EXPORTER OF POULTRY AND PROCESSED PRODUCTS. MOREOVER, IT IS ONE OF THE LARGEST PLAYERS IN SEVERAL MARKETS, BEING REGARDED AS THE LARGEST LAMB PRODUCER IN SOUTH AMERICA, AS WELL AS THE LARGEST MEAT COMPANY IN ARGENTINA, THE LARGEST POULTRY PRODUCER IN THE UNITED KINGDOM AND THE LARGEST PRIVATE COMPANY IN URUGUAY AND NORTHERN IRELAND.

MISSION, VISION AND VALUES

MISSION

"To meet and exceed the expectations of our clients and partners by supplying products with differentiated quality, using cutting-edge technologies and highly-qualified labor, acting with social and environmental responsibility, and generating value to our clients, partners, employees, shareholders and to society as a whole".

VISION

"To be recognized as a company of excellence in the Brazilian and international markets for its processing and sale of high-quality products across all Marfrig Group's business segments and commercial brands, and to continue to expand in the markets in which it operates both in Brazil and abroad, with a commitment to continuously improve its products and ensure the sustainable development and profitability of its business".

VALUES

- Commitment to Clients and Consumers
- Respect for the Environment
- Excellence and Quality
- Social Responsibility
- Safety
- Integrity

2010 MAIN HIGHLIGHTS

- 65% Increase in Net Revenue in comparison to 2009;
- EBITDA reached R$1,502.5 million – 107.2% up on 2009;
- Acquisition of Seara Alimentos, Keystone Foods and O'Kane Poultry, consolidating the strategy that has been in place since the IPO, of becoming a global supplier of products and services based on animal protein;
- Marfrig Group became the second largest producer of poultry, pork, elaborated and processed products in the Brazilian market;
- Brand consolidation and strengthening of a global distribution platform;
- Transformation into a global food and services company based on animal protein;
- Pioneer in terms of sustainability actions in the production chain of animal proteins;
- First Brazilian company to become an official sponsor of the World Cup – FIFA 2010 and 2014 World Cup in South Africa and Brazil, respectively – with the Seara brand.

ABOUT THIS REPORT

GRI 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.10 and 3.11

REPORT'S CONTENT, QUALITY AND SCOPE DEFINITION

The 2010 Annual Report represents a double challenge for Marfrig Group. Besides being the first public document reporting Marfrig's performance regarding Sustainability and involving all the Group's divisions, it is also the first one based on the Global Reporting Initiative GRI – G3 guidelines.

This is an important step for the Group, based on its commitment to transparency of the presented information and the relationship with its stakeholders. It also indicates the group's commitment to producing a report in line with the best market practices, and recognized at a global level.

This first publication has GRI application level "C". The indicators were selected based on a thorough assessment of information that could be published within Marfrig Group's scope, by compiling data from the sundry companies that are part the Group. Moreover, the company considered elements that would be relevant for the stakeholders.

In addition to the information on Marfrig Group's profile and its corporate governance guidelines, the structure of the report is divided into three major themes: economic performance, relationship with stakeholders and environment. This breakdown aimed to facilitate the report's reading and the consolidation of information from all the Group's divisions.

Published in 2011, this report covers the period between January 1st and December 31st, 2010, and includes the operating results of all the Group's subsidiaries, in the 22 countries that the Company operates. Significant changes in accounting standards in the last few years made it hard to compare current figures with those for the fiscal years prior to 2009.

As a publicly-held company, Marfrig systematically reports its earnings and material facts to the market by sending the information to the Brazilian Securities Commission (CVM), the Brazilian Stock, Commodities and Futures Exchange (BMF&Bovespa), in addition to posting all documents in the Investor Relations website (www.marfrig.com.br/ir).

The financial and economic information presented in this report complies with IFRS accounting standards applied to 2010 and to the previous year, in order to enable comparative analysis between those periods. The main results are described in the chapter on Financial and Economic Performance and a more detailed analysis can be found in the 2010 Management's Report, as well as in several documents in the Group's Investor Relations website.

Marfrig Group's Investor Relations Department, under the direction of Ricardo Florence dos Santos, is responsible for producing and publishing the Annual Report. In case of any questions, opinions and/or doubts related to this report, the Investor Relations Department can be contacted by phone (+55 11 3728-8650) or by e-mail ri@marfrig.com.br.

Message from the CEO

GRI 1.1

2010 was a milestone year for Marfrig, with its consolidation as one of the world's largest and most diversified food companies. We celebrated the successful conclusion of our strategic objective of turning Marfrig into one of the leading companies in the global food industry, placing it as the 4th largest player in the global protein sector, the world's 3rd largest producer of beef and beef products and the 2nd largest producer and exporter of poultry and processed products in Brazil.

This achievement was only possible due to the path we had outlined for the Group, which kept up a pragmatic approach without reducing the focus on the consumer. In this context, the acquisitions of Seara Alimentos and Keystone Foods represent a crucial moment in Marfrig's transformation. Seara, which is a prestigious traditional brand in the domestic and international markets, has been operating in the poultry, pork, elaborated and processed products segment for more than fifty years.

Keystone Foods, a large multinational company in the food service segment, is a global leader in the production and distribution of foods derived from animal protein, operating in conjunction with the world's major restaurant chains. Together these two acquisitions represent the consolidation of our growth process towards a globalized business model.

In a short period of time, Marfrig Group has undergone huge changes, diversifying geographically and becoming a complete, globalized food and food services production and distribution corporation, present in 22 countries in five continents, and exporting its products to more than 140 countries, with a wide portfolio and well recognized brands both in Brazil and abroad.

Present in 22 countries, Marfrig is one of the leaders in the production and distribution of multi-protein food, and food services

The international economic scenario of the last few years has been very challenging for the Group and 2010, in particular, was an extremely daunting year for the food sector companies. However, once again, Marfrig was successful in promptly tackling the global scenario of higher raw material costs and exchange rate volatility, taking advantage of the favorable outlook of the Brazilian market and the gradual upturn in demand on the global markets.

In 2010, our net revenue totaled a record R$15.9 billion, 65% up on 2009. This result was due to both Seara Alimentos and Keystone Foods' integration in the Group, as well as the performance posted by the Brazilian Beef Division in the domestic market, the rise in exports and the growth of our operations in Europe. EBITDA reached R$1.5 billion in the year, 107.2% up on the R$725 million registered in the previous year.

We have made great efforts to implement the best practices and the most advanced technologies that can bring sustainability to our processes, also involving our business partners in the entire production chain.

I would like to thank our 90,000 employees for their commitment and dedication to achieving results that made it possible to grow in a sustainable way and for their constant quest to maximize the quality of our products and services.

I would also like to thank our clients for their confidence in our work and for our long-standing partnership; our investors and shareholders, for investing in our sector with views to medium and long terms; and our suppliers, for our partnership, that always seeks for mutual satisfaction.

Enjoy your reading.

Marcos Antonio Molina dos Santos
CEO & Chairman

Chicken with *pequi* (souari nuts)

- 1 kg chicken quarters
- 4 cloves chopped garlic
- 4 table spoons oil
- 1 chopped onion
- 200 g canned *pequi*
- 2 cups water
- 1 chicken stock cube
- 3 tablespoons chopped chives
- 3 tablespoons chopped parsley or coriander
- Salt and black pepper to taste

Preparation

Season the chicken with garlic, salt and black pepper. Heat the oil in a saucepan and add the chicken quarters. Fry both sides on high heat until they turn brown. Add the onion and stew it until it becomes soft. Add the souari nuts and stew them for a few minutes. Add the water and the chicken stock cube and, when boiling, low the heat and cook it in half-closed saucepan for about 15 minutes until the chicken and the souari nuts turn soft and the chicken stock cube turns slightly thick. Remove the saucepan from the heat and add the parsley and the chives. Mix well and serve. Quantity: 6 servings.

Brasil

MARFRIG GROUP

RECOGNIZED THROUGHOUT THE WORLD FOR ITS HIGH QUALITY, THE COMPANY EXPORTS ITS PRODUCTS TO MORE THAN 140 COUNTRIES

ORGANIZATIONAL/ CORPORATE PROFILE

GRI 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8 and 2.9

Marfrig Alimentos S.A. is a Brazilian multinational publicly-held company, which operates in the food and services sectors, both in Brazil and abroad. Its activities are focused on the production, processing, sale and distribution of food products based on animal protein (beef, pork, lamb, poultry and elaborated and processed products), in addition to the distribution of other food products (frozen food, cold cuts, fish, readymade dishes and pastas) and semi-finished and finished leather.

With its head office in the city of São Paulo, Marfrig Group operates throughout Brazil as well as in 21 other countries[1], through 150 production units, distribution centers and commercial offices, with a production capacity of more than 90,000 tons of industrialized food per month.

Present in all five continents, Marfrig has more than 90,000 direct employees and exports its products to more than 140 countries, including Europe, the Middle East, Asia and the Americas. In 2007, the Group went public obtaining a listing in the Novo Mercado segment of the BM&FBovespa.

As part of the Group's diversification (both in geographical terms and in the animal protein segment), Marfrig initiated a series of acquisitions of assets, companies and brands, which together add up to a total of 40 operations over the last four years. As a result, the Group has consolidated as one of the leading players in the global food industry, becoming the 4th largest player in the global protein sector, the world's 3rd largest producer of beef products and Brazil's 2nd largest producer and exporter of poultry and processed products.

[1] *South Africa, Germany, Argentina, Australia, Bahrain, Chile, China, South Korea, the United Arab Emirates, the USA, France, Holland, England, Northern Ireland, Kuwait, Malaysia, Mexico, New Zealand, Qatar, Thailand and Uruguay.*

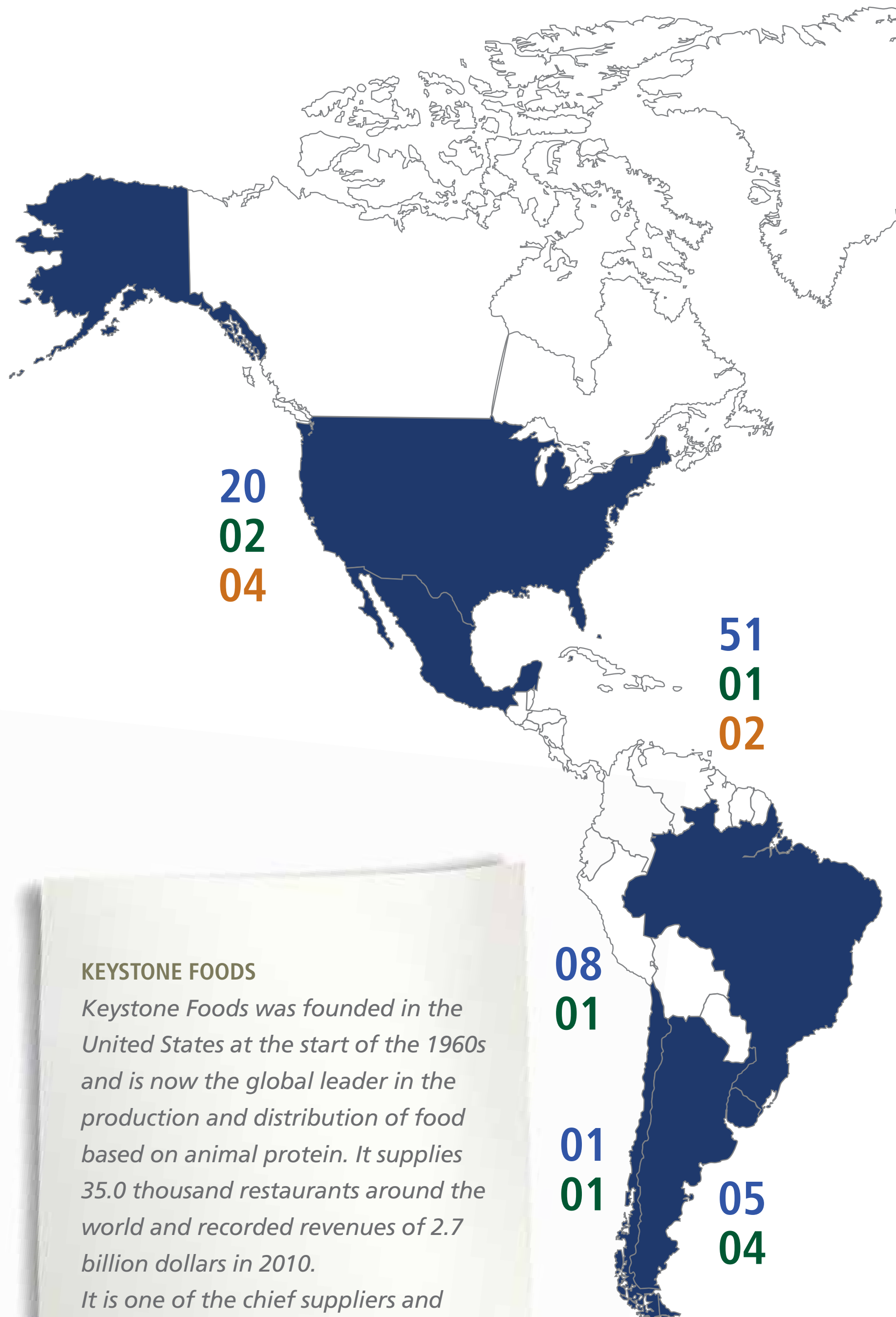
In 2010, Marfrig concluded the acquisitions of Seara Alimentos, Keystone Foods LLC and O´Kane Poultry, which together represented the consolidation of the Company's strategy to become a global company, supplying food based on animal proteins and services focused on the clients' needs. With Seara, Marfrig increased its exposure to consumers both in Brazil overseas and abroad. With Keystone Foods, it benefited from the know-how and expertise of the world's largest supplier of animal protein products (poultry, pork, beef and fish meat) and provider of distribution services to the world's largest restaurant chains.

Marfrig Group's operating structure now has two major segments of operation:

Beef and Poultry, Pork, and Elaborated and Processed Products. These segments are further split into the following markets: Beef Brazil and Beef International (Argentina, Uruguay and Chile), in addition to Poultry, Pork, and Processed Products Brazil and Poultry, Pork, and Processed Products International (global presence). This structure meets the needs of global clients, both for food service and the major retail chains.

Marfrig Group has a set of strong brands which are well positioned and regarded as symbols of high quality food, such as Seara, Bassi, Montana, Paty, Tacuarembó and Moy Park. Managed by a team of experienced administrators who are committed to the highest corporate governance and environmental responsibility standards, Marfrig stands out as one of the largest and most internationalized companies in the world's food sector.

GEOGRAPHICAL DISTRIBUTION



KEYSTONE FOODS

Keystone Foods was founded in the United States at the start of the 1960s and is now the global leader in the production and distribution of food based on animal protein. It supplies 35.0 thousand restaurants around the world and recorded revenues of 2.7 billion dollars in 2010.

It is one of the chief suppliers and distributors of products to the world's main restaurant chains.

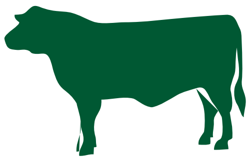
It has integrated chicken production in the USA, and a major technology center for the development of products.

SEARA

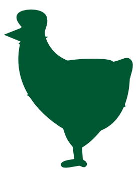
Seara was founded in 1956 in the State of Santa Catarina, Southern Brazil, and over the course of its history achieved global recognition. Today it is synonymous with quality fresh, elaborated and processed poultry and pork meat. Marfrig announced the conclusion of the company's acquisition in January 2010.

For Marfrig, this acquisition represents the consolidation of a sound operating base, in in line with the best socio-environmental practices, and the ability to supply the global market with quality products.

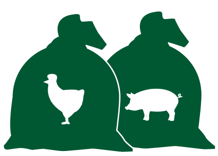
MARFRIG



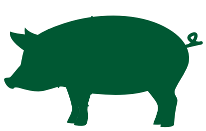
33 plants
24 in Brazil, 5 in Argentina and 4 in Uruguay



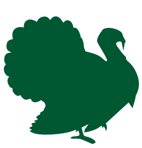
21 units
14 in Brazil, 4 in Europe and 3 in the United States



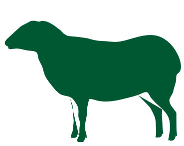
40 plants
16 in Brazil, 5 in Argentina, 3 in Uruguay, 1 in the United States and 10 in Europe, 4 in Asia and 1 in Australia



4 plants
in Brazil



2 plants
1 in Brazil and 1 in the United Kingdom



5 plants
2 in Brazil, 2 in Uruguay and 1 in Chile

2 tradings
(in Chile and the United Kingdom)

KEYSTONE

OPERATIONS IN THE USA
- *Leading presence in QRS*
- *4 distribution centers, 7 processing units and 9 poultry farms*

OPERATIONS IN THE UNITED KINGDOM
- *3 distribution centers*
- *3 processing units and 1 commercial unit*

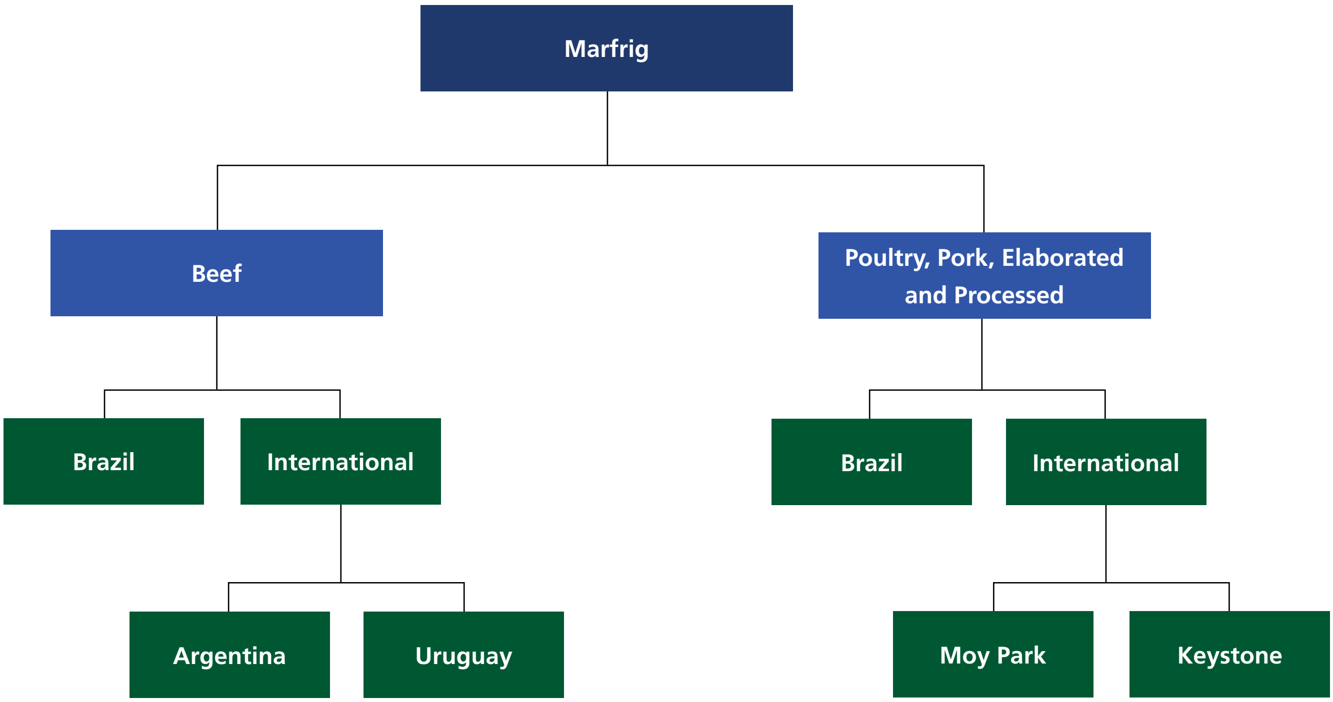
OPERATIONS IN FRANCE
- *Operations since 1987*
- *8 distribution centers*
- *1 processing unit*

OPERATIONS IN ASIA
- *2 distribution centers in Malaysia and Korea*
- *5 processing units in China, Thailand, Malaysia and Korea*
- *New investments in China*

OPERATIONS IN THE MIDDLE EAST
- *4 distribution centers: United Arab Emirates (also supplying Oman), Kuwait, Bahrain and Qatar*

OPERATIONS IN AUSTRALIA AND NEW ZEALAND
- *More than 30 years' experience in Australia and New Zealand*
- *6 distribution centers in Australia and 1 in New Zealand*
- *1 processing unit in Australia*

MARFRIG GROUP: OPERATING STRUCTURE



BUSINESS STRUCTURE

Marfrig Group is built around two main divisions, Beef (Brazil and International) and Poultry, Pork, Elaborated and Processed products (Brazil and International). The company's operations count on a solid organization which is capable of confidently responding to the Group's global demands and challenges. It is worth noticing that the group's operations, both in Brazil and abroad, continue to develop actions in accordance with their specific local characteristics and that, together, they ensure and contribute to the sustainability of the entire productive system.

The structure of the Group's Senior Management is shown in organizational chart above. In December 2010 the executive board of the Brazil Beef division was headed by James Cruden, while the International Beef Division was run by Martin Carignani (Argentina) and Martin Secco (Uruguay, Chile and Industrialized Leathers). The Poultry, Pork, Elaborated and Processed Products division – Brazil was headed by Mayr Bonassi, while in the case of international operations, Nigel Dunlop was the CEO for activities in Europe (Moy Park) and Jerry Dean was CEO of Keystone's activities (this position is currently held by Larry McWilliams, due to Jerry Dean's retirement).

BEEF

Beef Brazil

In Brazil, Marfrig's activities in the beef segment involve the production and distribution of fresh meat, and elaborated and processed products as well as beef by products. Through strong brands that are well positioned in the Brazilian market, the Beef operation supplies Brazilian clients in the food service and retail sectors. In 2010, Brazilian Beef Operations exported their products to more than 90 countries, representing 18.1% of Brazilian beef exports according to the figures published by SECEX (Secretariat of Foreign Trade).

In December 2010, this division had the capacity to slaughter roughly 24,000 head of cattle and 2.0 thousand lambs a day, and to produce approximately 12.0 thousand tons of elaborated and processed food products a month.

The operation had a total of 24 industrial units spread across eight Brazilian states and 6 plants producing elaborated and processed products.

Beef – International Operations

In its international operations, the Beef segment operates through units in Argentina, Uruguay and Chile.

The Group has been present in Argentina since 2006 and operates predominantly in meeting the domestic demand for elaborated and processed products, with roughly 70% of production being directed to the domestic market in the form of value-added products.

Marfrig is the leader in the Argentine, Uruguayan and Chilean markets through the Paty brand (which was acquired in 2007, when Quickfood became part of Marfrig) and the Pemmican brand (producer and distributor of beef jerky to the US market and other export destinations). In 2010, the Group reached a 64.2% market share of the Argentine hamburger market and a 20.6% share of the hot-dog market just with the Paty brand alone.

In Uruguay meanwhile, Marfrig's operations are mainly focused on exports. With a controlling stake in Tacuarembó S.A., the country's largest private company with fifty years' tradition, the Group's operations target the production of beef (traditional and prime cuts), and of elaborated and processed food products. In addition to the food sector, Marfrig also operates in the industrialization and sale of finished and cut leather through the Zenda Group, which supplies leather to the world's main automobile manufacturers and airline companies. Uruguay also acts as the controller for Marfrig Group's operations in Chile, where the Patagônia meat-packing plant produces lamb and the Quinto Cuarto trading company imports and exports products based on animal protein (beef, pork and chicken) from Argentina, Uruguay and Brazil.

Overall, as of December 2010, the operations of the Beef Segment – International Operations – totaled 9 units, with production capacity of 7.8 thousand head of cattle; 3 lamb units, with capacity of 8.4 thousand lambs; 8 processed product units, with a monthly capacity of 7.3 thousand tons; in addition to 14 industrial units and commercial offices for the industrialization and sale of leather.

POULTRY, PORK, ELABORATED AND PROCESSED PRODUCTS

Poultry, Pork, Elaborated and Processed Products – Brazil

In 2010, Marfrig Group took an important step towards its consolidation as the second largest producer and exporter of poultry, pork and elaborated and processed products in Brazil. The acquisition of Seara Alimentos, a company that has been in operation in Brazil for 54 years and which has significant international presence, brought to the Group the recognition and tradition of a brand that is well-known to Brazilians and which has pronounced global ambitions. Therefore, more than the addition of a new company, for Marfrig Group the acquisition of Seara represents the consolidation of a sound operating base, which is capable of meeting domestic demands and of supplying the global market with quality products.

Seara was established in the city of Seara, State of Santa Catarina, Brazil, and was the first company to obtain ISO 9002 quality certification for its entire chicken production chain, in 1996.

It operates with a total of 14 industrial chicken units in six Brazilian states and, as of December 2010, had operating capacity to slaughter 2.4 million chickens a day. As one of the leading players in the processing of poultry and elaborated, processed and fresh pork, the division also has:

4 pork industrial units in three Brazilian states, with capacity to slaughter of 10.4 thousand pigs a day

1 port unit

1 turkey industrial unit with capacity to slaughter 30.0 thousand turkeys a day

10 plants producing elaborated and processed products with capacity of 38.6 thousand tons/month

As a result of Seara brand's exposure at the 2010 World Cup, Marfrig boosted its domestic and international recognition, making it the first Brazilian brand to be among the sponsors of one of the world's most important championships. This decision was taken with the aim of consolidating Seara as the Group's global brand.

Poultry, Pork, Elaborated and Processed Products – International Operations

Marfrig Group's international activities in the poultry, pork, elaborated and processed products segment are handled by two major leading players in Europe and the United States: the British company Moy Park and the recently acquired US company Keystone Foods. Together, South America's operations are responsible for a global food platform that covers the five continents.

Since 2008, when it acquired Moy Park, the leading company in the UK chicken market, Moy Park, Marfrig Group has managed to achieve significant presence in Europe's main retail sector chains and food service segment.

O'Kane Poultry, which was acquired in 2010, is one of the oldest chicken and turkey processing companies in Europe. With a story that dates back to 78 years ago, O'Kane Poultry joined Marfrig Group as part of the group's strategy to consolidate as a global operator in the food sector. O'Kane is recognized in the European market for its high quality standards in the supply of poultry and poultry byproducts, including in the field of organic proteins. With a diversified product line comprising more than 500 items, the company is one of the major suppliers to the retail and food service sectors in the United Kingdom and Ireland.

Marfrig Group's most recent acquisition abroad was the purchase of Keystone Foods, which was concluded at the end of 2010. This operation was the final step in the Company's strategy to consolidate as a global player in the production and distribution of food based on animal proteins. With forty years' experience in the market, Keystone Foods operates globally in the development, production, sale and distribution of food based on poultry, fish, pork and beef, with a focus on the food service channel. It supplies more than 35,000 thousand restaurants in 13 countries, including the USA, Europe (France and the United Kingdom), Asia (China, Thailand, Malaysia and South Korea), Australia, New Zealand and the Middle East (the United Arab Emirates, Kuwait, Bahrain and Qatar). It is one of the main suppliers and distributors of products to the world's main quick service restaurant chains.

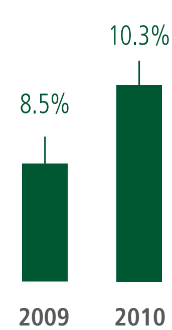
With this acquisition, Marfrig Group believes that it has finally found the missing piece in the strategic plan that was established right at the very beginning of the company's existence, enabling it to become a global company with physical presence and strong brands on 5 continents, offering not just value-added products, but also services that meet our clients' needs.

Marfrig therefore believes that can expand its operations with gains in market share and launching of new products, in addition to benefiting from the operating excellence acquired and capturing the synergies that exist between its current operations, while always remaining in line with the best practices available in the market with regard to process technology and sustainability.

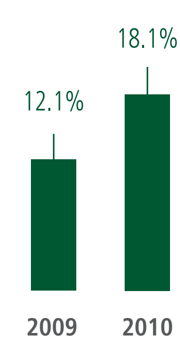
In 2010, the Poultry, Pork, Elaborated and Processed Products Division – International Operations – had the capacity to slaughter roughly 1.3 million chickens a day at 7 plants located in Europe and the USA; approximately 20 thousand turkeys; 65.1 thousand tons a month of processed products at 22 plants spread across a number of countries in Europe, Asia and the USA; in addition to the capacity to distribute 200 million boxes a year to clients throughout the world.

MARFRIG GROUP POSITIONING

MARKET SHARE OF TOTAL SLAUGHTER OF CATTLE



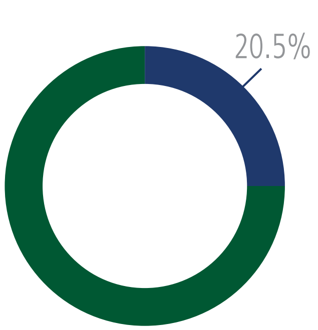
AVERAGE MARKET SHARE OF BEEF EXPORTS



Obs: Only cattle inspected by MAPA.

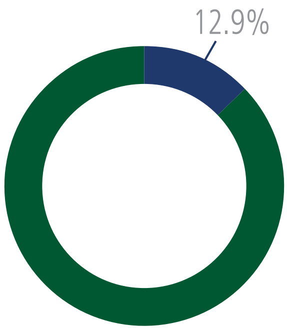
Poultry, Pork, Elaborated and Processed – Brazil

MARKET SHARE OF CHICKEN EXPORTS 2010



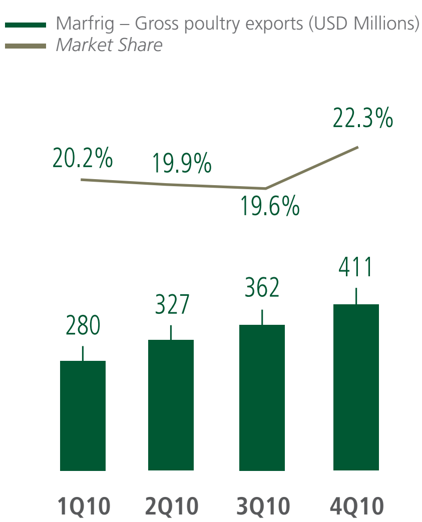
Source: SECEX.

MARKET SHARE OF PORK EXPORTS



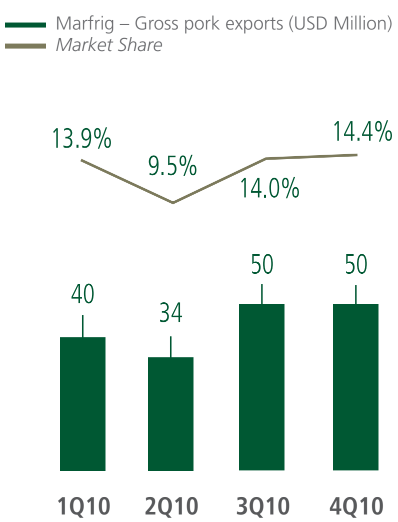
Source: SECEX.

MARKET SHARE OF POULTRY EXPORTS – BRAZIL



Source: Nielsen and SECEX

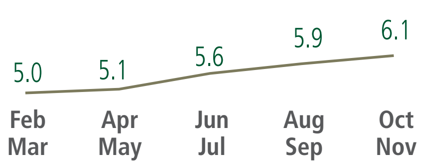
MARKET SHARE OF PORK EXPORTS – BRAZIL



Source: Nielsen and SECEX

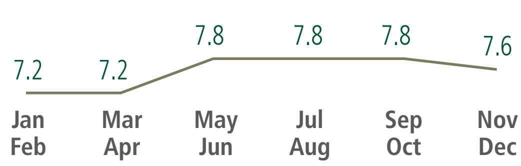
Seara

MARFRIG'S MARKET SHARE OF FROZEN MEAT MARKET – BRAZIL[1] (2010) (%)



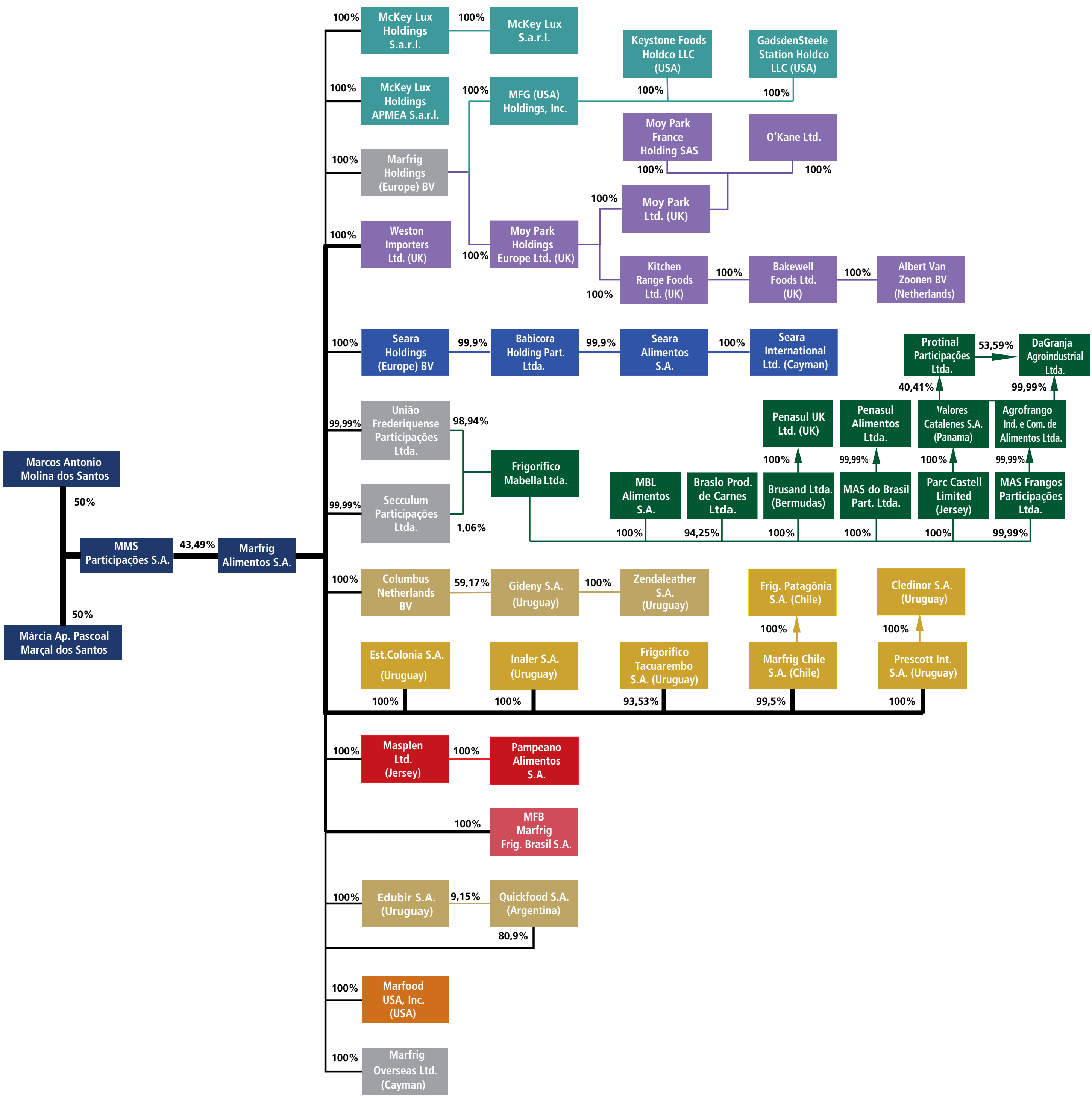
[1] *Source: Nielsen*

MARFRIG MARKET SHARE IN THE INDUSTRIALIZED MEAT PRODUCT MARKET– BRAZIL[1] (%)



[1] *Source: Nielsen*

MARFRIG GROUP: CORPORATE STRUCTURE

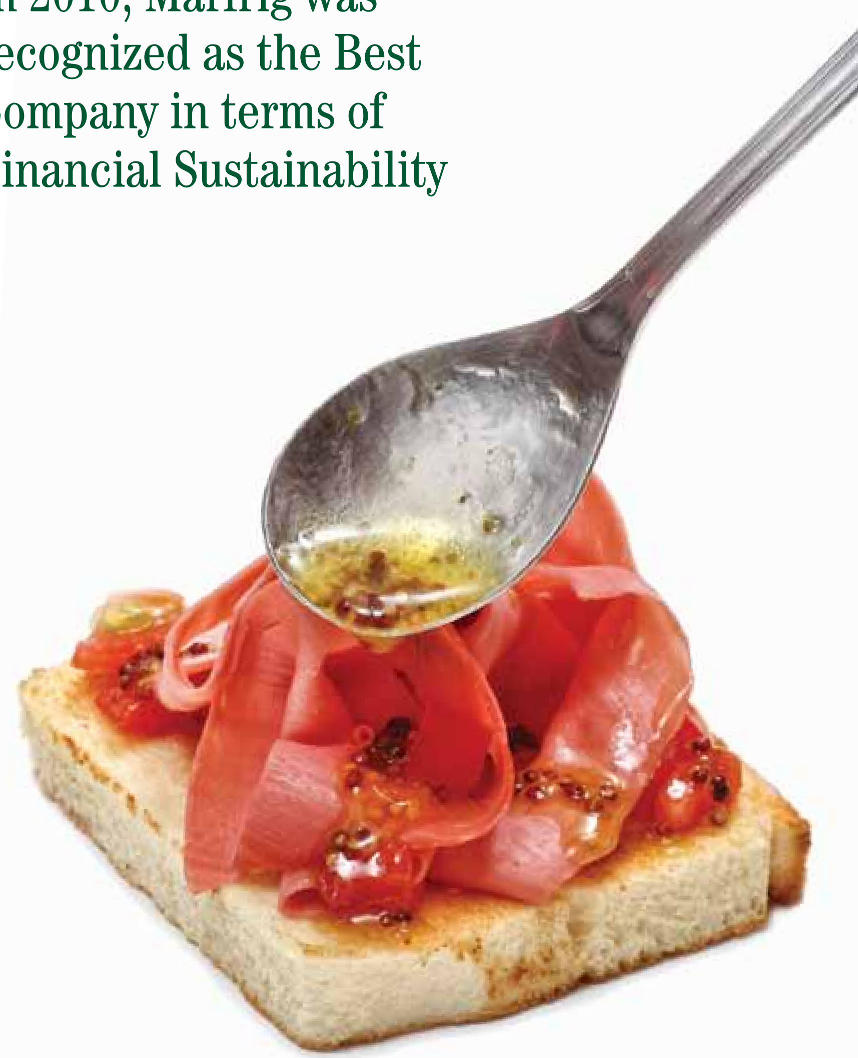


CORPORATE GOVERNANCE
GRI 4.1, 4.2, 4.3 and 4.4

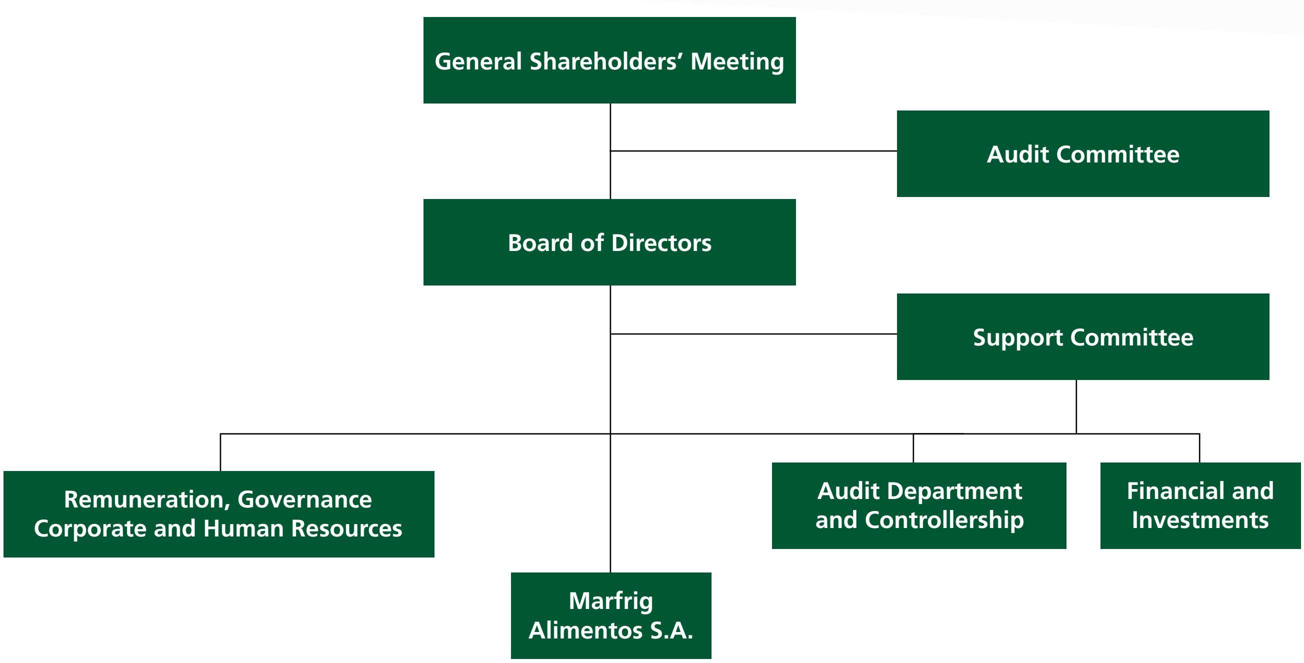
CODE OF ETHICS

The Code of Ethics is the document that provides guidance for all of Marfrig Group's internal and external stakeholders with regard to the values, principles and attitudes adopted by the company. This document covers all stages of work, from the relationship with external stakeholders to the principles of respect for the environment and for the community. All employees are made aware of the Code when they join the Group. The Company has made the Code of Ethics available on the internet, and this means that it is possible for anyone to consult it, make suggestions in relation or report violations. To check Marfrig Group's Code of Ethics or to download it go to the site. www.marfrig.com.br/ir.

In 2010, Marfrig was recognized as the Best Company in terms of Financial Sustainability



ORGANIZATION CHART FOR GOVERNANCE STRUCTURE



GOVERNANCE STRUCTURE AND BUSINESS DRIVERS

Based on the Brazilian Code of the Best Practices in Corporate Governance issued by the Brazilian Institute of Corporate Governance, the IBGC, Marfrig Group's Corporate Governance structure is made up of Support Committees, a Permanent Fiscal Council and an Independent Council, which work together to guarantee that the company's development is based on ethics and transparency.

Another guiding principle in the Group's management and exercised by Corporate Governance is the constant search for business continuity by developing and implementing effective strategic actions, which are capable of ensuring return for the shareholders and financial sustainability over the long term, while caring for the environment and social responsibility.

Recognition of this attitude came in 2010 when Marfrig Group was elected the Best Company in terms of Financial Sustainability, at the event "As Melhores da Dinheiro 2010", by "Isto É Dinheiro" magazine.

General Shareholders' Meeting

In 2010, the Annual Shareholders' Meeting (ASM) was called in April and an Extraordinary Shareholders' Meeting (EGM) in November. Among the matters discussed and approved by majority vote, installation of a new Permanent Fiscal Council and the proposal to issue the Company's first mandatorily convertible debentures totaling R$2.5 billion in order to finance the acquisitions of Keystone Foods LLC and O'Kane Poultry are worthy of notice.

Board of Directors

Marfrig Group's board of directors has eight members, three of whom are independent in that they are not related to the Group other than through this position. This arrangement complies with regulations required for listing on the Novo Mercado, which is BM&FBovespa's most demanding segment in terms of corporate governance.

Directors are elected for a term of office of two years and all decisions are made by majority voting of directors present at any meeting. Therefore, the board of directors is charged with the corporate values adopted by the group and all decisions are based on this premise, and on the premises of the Company's continuing growth and approval of an annual budget that best reflects this goal. The board also has the power to engage independent auditors to examine the consistency of its financial statements to be published annually.

In 2010, the Board met in the months of March, June, July, November, and December.

Board of Directors' Members

In December 2010, the members of Marfrig's Board of Directors were the following:

Board of directors' Members	Position	Date elected	Term of office until
Marcos Antonio Molina dos Santos	Chairman of the board	4/28/2009	AGM 2011
Alain Emilie Henry Martinet	Director	11/9/2009	AGM 2011
Antonio Maciel Neto	Independent director	4/28/2009	AGM 2011
Carlos Geraldo Langoni	Independent director	4/28/2009	AGM 2011
David G. McDonald	Director	4/28/2009	AGM 2011
Marcelo Maia de Azevedo Correa	Independent director	4/28/2009	AGM 2011
Marcia A. P. Marçal dos Santos	Director	4/28/2009	AGM 2011
Rodrigo Marçal Filho	Director	4/28/2009	AGM 2011

Marfrig's management complies with IBGC's Brazilian Code of Best Practices in Corporate Governance

Support Committees

The Company has three committees supporting the board of directors. Monthly meetings are held to resolve on measures ensuring the Group's adoption of best corporate governance practices.

Auditing and Controllership	Financial and Investments	Compensation, Corporate Governance and Human Resources
Coordination: Mr. Marcelo Maia de Azevedo Corrêa	Coordination: Mr. Carlos Geraldo Langoni	Coordination: Mr. Antonio Maciel Neto
Activities: • Implement internal and external auditing processes • Evaluate the Company's internal controls • Keep the Board informed of all aspects related to accounting practices and disclosure of financial data	Activities: • Monitor investment and financing plans • Advise the Company on optimal capital structure and financial policies in general	Activities: • Keep the Board informed of all matters related to strategy, HR policies and standards • Decide on benefits and compensation for senior executives and key employees

Fiscal Council

The Fiscal Council held its first meeting on April 30, 2010 after approval by the Company's Annual Shareholders' Meeting. Its main responsibilities are to oversee management's activities, review the Company's financial statements, and report findings to shareholders. It consists of three full and three alternate members. One full and one alternate member were appointed by minority shareholders holding over 5% of the Company's capital stock.

Fiscal council's members

In December 2010, Marfrig's Fiscal Council consisted of the following members:

Fiscal council	Position	Date elected	Term of office until
Estefan George Haddad	Full member	4/30/2010	AGM 2011
Peter Vaz da Fonseca	Alternate member	4/30/2010	AGM 2011
Marcílio José da Silva	Full member	4/30/2010	AGM 2011
Luiz Otávio Lucchese	Alternate member	4/30/2010	AGM 2011
Antonio B. Coury Jr.	Full member	4/30/2010	AGM 2011
Sérgio Tuffy Sayeg	Alternate member	4/30/2010	AGM 2011

Holding Company's Executive Board

The Executive Board is bound by the decisions of the board of directors and charged with the responsibility to implement them. The executive officers are legal representatives of the company and follow policies and guidelines set by the Board of Directors, also complying with the provisions of the Brazilian Corporate Law, which states that each executive officers must be resident in Brazil and may or may not be a company shareholder.

The executive officers are elected by the board of directors for a term of office of three years, with reelection being permitted, and may be removed from office by the board of directors necessary any time. Marfrig Group complies with the Brazilian Corporate Law that sets forth that no more than a third of the board of directors may hold both positions as directors and officers.

Members of the Executive Board

Officers	Position	Date elected	Term of office until
Marcos Antonio Molina dos Santos	Chief Executive Officer	3/25/2010	3/25/2013
Alexandre José Mazzuco	Chief Administrative and Financial Officer	3/25/2010	3/25/2013
James David Ramsay Cruden	Chief Operations Officer	3/25/2010	3/25/2013
Ricardo Florence dos Santos	Chief Planning and Investor Relations Officer	3/25/2010	3/25/2013

PUBLIC POLICIES

GRI SO5

In line with its Code of Ethics, Marfrig maintains political neutrality in the workplace and when conducting its business, thus creating the right conditions for healthy, sustainable, transparent and respectful relations between the Group and government.

The Group also strives to maintain good relationships with government entities, and cooperates in policymaking discussions. Therefore, it has an active role in multi-stakeholder discussion forums, trade or industry associations and organizations at national, regional and global levels. Marfrig encourages all of its subsidiaries to maintain good relations with governmental and non-governmental organizations and contribute to the formulation of public policies that benefit the Corporation, its entire production chain and society as a whole.

In Brazil, Beef Products actively participates in and leads discussion forums on sustainability-related issues in the livestock production chain, as in the cases of the Sustainable Livestock and Leather working groups. Both have the objective of fostering good practices and influencing public policy in certain ways. Marfrig is also in constant contact with federal prosecutors and the state governments' environmental departments to develop cooperative relationships by reporting to government the real situations faced by rural producers. In addition, it leads the industry in assuming several public commitments for monitoring and fighting deforestation in the Amazon biome.

Participation in Industry Organizations and Associations

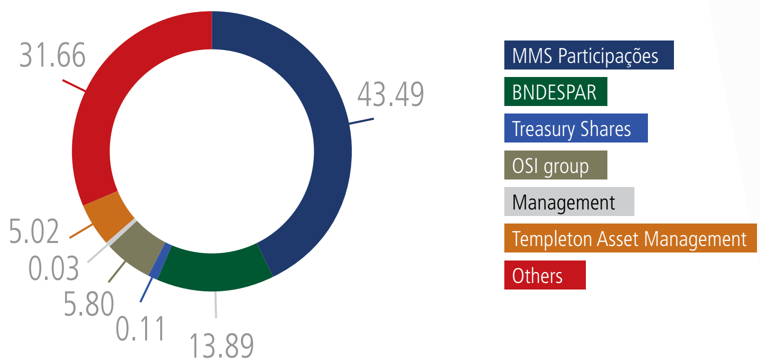
Principal initiatives:

- Chairman of the Steering Committee and member of the Executive Management Committee of TPS – Sustainable Livestock Working Group, an initiative of the World Bank acting through the International Finance Corporation (IFC), which aims to foster a sustainable beef production chain.
- Member of the Leather Working Group, an international multi-stakeholder working group developing an environmental performance protocol for livestock farmers and foster best practices for sustainability in the leather industry.
- Signatory to the Sustainable Connections Business Pact for financing, production, use, distribution, marketing and consumption of beef products being shipped from the Amazon region to the city of São Paulo (SP).
- Signatory to the Brazilian Pact for Eradication of Slave Labor, an initiative of the Ethos Institute for Business and Social Responsibility, the Social Observatory Institute, the Reporter Brasil NGO, and the International Labor Organization, which aims to provide the business sector and Brazilian society as a whole with tools to prevent marketing of products from suppliers involved with slave labor.

Ownership

There were no significant changes in terms of ownership structure during the year. In December 2010, Marfrig's share ownership was as follows:

SHAREHOLDING STRUCTURE (%)



Note: The shareholding structure above considers shareholders with more than 5% of shares and the position held as of December 31, 2010.

BUSINESS MANAGEMENT

BUSINESS STRATEGY

Marfrig's strategy is based on the pursuit of long-term business sustainability and returns for its shareholders. Accordingly, the Company has focused its work on certain essential elements:

GLOBAL PLATFORM SET UP

- *Risk Minimization*
- *Global relationships with retailers and restaurant chains*
- *Reducing costs and maximizing capacity utilization*

UPSIDE ON MARGINS

- *Share of high value-added products*
- *Synergies*
- *Strong global brands*
- *Industry Expertise*

CLIENT FOCUSED

- *Full portfolio with high quality products*
- *Expertise in the Food Service segment*
- *Capacity to meet growing global demand*

EXPERIENCED MANAGEMENT

- *Leveraging management teams from recent acquisitions*
- *Expertise in key markets and segments for the Company*

RELATED SEGMENTS

- *Conservative debt profile*
- *Equity funding for major acquisitions (Seara and Keystone).*

COMPETITIVE ADVANTAGES

SUSTAINABLE GROWTH

The pursuit of business sustainability is one of Marfrig Group's pillars. This is reflected in growth and expansion of its activities, in all cases with respect for social, environmental and economic aspects.

The Group is a pioneer in its commitment to and engagement in major national and international initiatives around sustainability in its line of business. In addition, Marfrig has sought to incorporate the best practices available in the market to improve its management, optimize its operations and reduce its use of natural resources. The focus on sustainability takes in the entire production chain and, therefore, the Corporation has been investing heavily in technological innovation and tools to ensure increased traceability for its products and processes.

Corporate Sustainability Strategy is based on strategic management policy and plans that address:

- Climate Change and Natural Resources;
- Energy matrix;
- Social responsibility;
- Food Quality and Security;
- Nutrition;
- Pioneering approach and innovation;
- Risk management;
- Animal Welfare;
- Relations with Suppliers;
- Sustainable Agriculture (Livestock, Poultry and Pig farming).

Marfrig's fast expansion after making 40 acquisitions in the last five years is anchored to a sustainable growth strategy. The Group sought to absorb solid companies recognized for their tradition in their markets, their product quality, and the sustainability of their operations.

RISK MANAGEMENT

Diversification

Using a lean, agile, low-cost structure, the Company established its main grain and livestock production base in South America and optimized its production chain. To supplement this strategy, it drove operations towards geographic and protein diversification , which in practical terms means that the Group diversified its production and distribution platforms while minimizing risks inherent to each operation and the market as a whole. Marfrig Group sought to spread distribution over more diversified and profitable channels and strengthened its supplies of inputs through partnerships with producers in a number of different geographic regions. On December 31, 2010, Marfrig was serving over 79,000 clients on all continents. In this sense, the acquisition of Keystone Foods is an example of a strategy heading for a global products and services platform in the food segment.

Risk management policy

Marfrig Group's Market Risk Management policy is to mitigate economic and accounting exposure of its operations to changes in exchange rates, interest rates, commodity prices and credit risks.

The Group's strategy of geographic, protein and market diversification is governed by this vision of risk management. The Group's geographical distribution and its diverse portfolio allow it to conduct its business without being affected if a sanitary barrier is imposed by one of its consumer markets, for example, since operations can be quickly transferred to other units located in other regions, or even in different countries. The procedure is the same in cases of economic barriers. Since Marfrig operates with several different proteins, continuity of production is guaranteed in the event of fluctuating prices or costs.

INTANGIBLE ASSETS

Strategy

Intangible assets comprise assets acquired from third parties, including through business combinations, and those generated internally by Marfrig Group. The Group's intangible assets include brands, human resources, client relations and know-how in supply chain management.

Brands

In its markets, Marfrig offers an extensive portfolio of products and brands in order to fully meet client demand for both fresh meat (beef, poultry, pork and lamb) and elaborated and processed products, as well as services. In Brazil, the Group's brands are Seara, Mabella, Bassi, DaGranja, Pena Branca, Palatare and Montana. Exports of frozen beef (fresh, elaborated/processed) are shipped under Marfrig's "GJ" brand. Note that a report compiled by BrandAnalytics/Millward Brown in 2009 valued the Seara brand at approximately R$304 million[2] and ranked it 46th among Brazilian most valuable brands .

In Argentina, the Group offers consumers its Paty hamburger brand, the local market leader; Quickfood processed and fresh beef; Seara, Aberdeen Angus and La Morocha premium beef. Our Uruguayan brand is Tacuarembó for beef; Live forprime beef; Bernina for processed meat; and Seara and Zenda (leather). In Chile, the Patagonia seal identifies lamb cuts.

In the US, our Pemmican and Mirab brands ship beef jerky in snack format.

In Europe, Moy Park is now the United Kingdom's largest poultry firm, and is also trading in Northern Ireland, France, and Holland under the brand names Moy Park, Kitchen Range Foods, and Albert Van Zoonen. Recently acquired O'Kane Poultry markets poultry products (fresh, processed and organic chicken and turkey) in Ireland and the UK under the O'Kane seal.

Human Resources

Marfrig Group was operating in 22 countries in 2010, with its headcount of 90,625 up 93% on 2009's reflecting its acquisitions of Seara, Keystone Foods and O'Kane Poultry. As these companies joined the Group, more investments were made in training and professional skills to encourage participatory management and provide incentives for leadership training, thus adding value to Marfrig's human assets. In addition, all staff had easy access to the company's Code of Ethics, a document which encouraged them to monitor and report any threatened violation and prevent any type of discrimination.

In relation to labor legislation, Marfrig upholds International Labor Organization (ILO) standards in all countries where it does business. Employees are trained to use personal protective equipment (PPE) correctly, and all occupational accidents and diseases are duly registered. All units have accident prevention commissions (the acronym in Brazil is CIPA), consisting of members of management and workers.

Finally, one of the Group's principles is respect for diversity, and it follows a set of guidelines for occupational safety and health management systems to unify HR practices across all its subsidiaries.

[2] *2009 Survey.*

Client Relations

Client relations play a crucial and strategic role in creating value for Marfrig. The Company makes every effort to offer differentiated products and services to meet its clients' needs and fulfill their expectations. Secure supplies, punctual delivery, quality products and services, constant innovation and communication are all essential to build good relationships based on reliability, which is Marfrig's foremost goal.

Supply Chain Management Know-how

Marfrig Group works to improve its supply chain management. This involves investing in programs and projects for monitoring suppliers of products and services, ensuring traceability of meat supplies and cattle origin to avoid using supplies from deforestation areas in the Amazon biome, as well as checking on use of slave labor on farms supplying raw materials to the Group. Marfrig also focuses on optimizing logistic processes, taking into account cost reduction and improved performance by using modern environmentally-friendly equipment.

Awards and Recognition

GRI 2.10

- 2010 Entrepreneurs of the Year in the Industry category awarded by "Isto É Dinheiro" magazine published by Editora Três;
- Best Agribusiness Company and Best Beef Company – "Melhores & Maiores Exame 2010" awards by "Exame" magazine, published by Editora Abril;
- Best Company for Financial Sustainability, "As Melhores da Dinheiro 2010" award by "Isto É Dinheiro" magazine, published by Editora Três;
- Best Agribusiness – Meat Company 2010, awarded by Globo Rural magazine;
- Three awards from Investor Relations Global Rankings Awards (IRGR);
- The Best Investor Relations Website in the Consumer Goods Industry Worldwide;
- Top 5 Financial Disclosure in Latin America;
- Top 5 Investor Relations Website in Latin America;
- Top 5 in the Best IR Professional in the market category, by "IR Magazine Awards" for the second consecutive year;
- Marfrig Group's Pampeano Alimentos company won the "RS Export Award" in the market diversification category;
- Keystone Foods won McDonald's Supplier Summit Awards in the Innovation, Quality and Teamwork categories;
- Social Seal – Millennium Development Goals 1, 2, 6 and 8 for Seara Alimentos (2009 and 2010), Itajaí (SC) unit.

North America

Meat sauce

- 2 tablespoons sunflower oil
- 2 cloves chopped garlic
- 1 chopped onion
- 1 can peeled tomato chopped and drained
- 2 tablespoons tomato puree
- 2 tablespoons white wine vinegar
- 1 tablespoon brown sugar
- 1 tablespoon Worcestershire sauce
- 1 tablespoon mustard
- A few drops pepper sauce
- Salt and freshly ground black pepper to taste

Preparation

Heat the oil in a medium saucepan. Add the garlic and the onion and fry them on medium heat until they turn soft and slightly brown. Add the remaining ingredients and let them cook on low heat for 10 minutes, stirring occasionally, until they begin to thicken. If you prefer a more homogeneous sauce, put it through a food processor or blender. Serve hot or cold with grilled meat and hamburger. Quantity: 6 servings.

Suggestion

May be used for burgers and various meat cuts.

ECONOMIC - FINANCIAL PERFORMANCE GRI EC1

GROWING DEMAND IN BRAZIL AND POSITIVE PERFORMANCE IN EUROPE DURING THE YEAR WERE FACTORS MAKING FOR THE GROUP'S FAVORABLE FINANCIAL PERFORMANCE

Marfrig managed to cope with difficulties and move forward with its growth strategy even though it turned to be a very challenging year for companies in the food sector. The Company maintained its strategy of focusing on meeting the needs of its clients, offering value-added products and services and maintaining a business tradition based on ethics and business sustainability. These factors enabled the Group to achieve a prominent position in the global market.

Marfrig's successful strategy was seen in the 65% of growth in net revenue compared to 2009, reflecting the acquisitions of Seara, Keystone Foods and O'Kane Poultry as well as the Company's organic growth. Surging demand in Brazil, together with a gradual recovery in beef, poultry and pork exports enabled the Company to increase output, raise capacity utilization at its units and gain market share in slaughtering and export terms. All these factors, combined with the performance of its European operations, helped to maintain the Group's sound position. In the course of the year, Marfrig implemented a plan to hold down costs and reduce expenses. Combined with synergies arising from the integration of Seara Alimentos, this effort was reflected in favorable economic and financial performance.

It is noteworthy that – as part of its risk management framework – Marfrig Group's corporate financial risk management policy sets guidelines and standards based on stringent criteria for contracting financial instruments and limits for management's decision-making processes. In addition, the policy excludes leveraged trades in derivatives or similar instruments other than those aiming at minimum hedging against exposure to other currencies or fluctuating agricultural commodity prices, in line with the conservative policy of avoiding trades that could undermine Corporation's financial position.

Therefore, Marfrig Group maintains a sound financial policy, with high levels of cash holdings and short-term liquidity applications. At the same time, it focuses on long-term debt with maturities spread over several years to avoid due dates bunching together in any one year.

INDUSTRY CONTEXT

A very challenging context pervaded Marfrig Group's business and the food industry as a whole in 2010, in a backdrop of rising raw material costs and exchange volatility, although the global economy was beginning to show signs of gradual recovering.

In 2010 the countries which economies had been most affected by the international crisis were already starting to show signs of progress and this scenario leads us to take a very optimistic view of the prospects for 2011. Although unemployment rate was very high in the United States, there were already positive signs and prospects of economic growth. Several European nations had to resort to unpalatable austerity measures to adjust their deficits and ensure sustainability for their economies. Meanwhile, for the emerging countries least affected by the crisis, 2010 was a positive year with growth rates above the global average.

Commodity markets were very volatile during the year. Rising costs of key raw materials put pressure on the industry, which had to offset them by passing on price increases to final consumers. In the grain market, crop failures in major producing countries such as Russia and Australia and growing world demand led to increased commodity volatility and prices.

The year for South American beef producers was marked by a still limited supply of cattle for slaughter and higher costs for store cattle, reflecting the stage that the economic cycle for livestock was going through in the region. In this scenario, Brazil benefited from its favorable situation in the cycle in relation to neighboring countries Argentina and Uruguay, and increased its market share in slaughtering and beef exports.

The appreciation of Brazilian real against the dollar in the course of 2010 affected negatively the Brazilian exports, by reducing competitiveness of national products on international markets. Domestically however, Brazillian socioeconomic progress, with the decrease of unemployment, the rising wages and credit expantion boosted consumers spending, allowuing a fast growth of meat sales. The maintenance of strong demand enabled the industry to pass on raw-material prices to consumers of beef, poultry and pork products.

65%

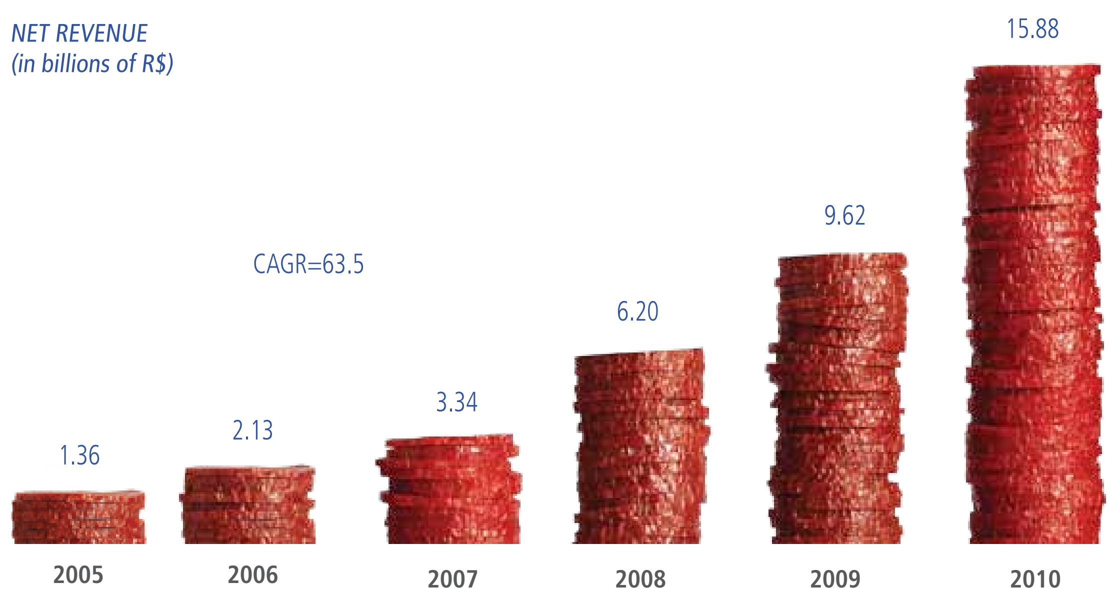
growth of consolidated net revenue against 2009 and an increase of market shares in beef, poultry and pork segments

ANALYSIS OF CONSOLIDATED EARNINGS

The Group's Consolidated Net Revenue was R$15,878.5 million, 65% up on the R$9,623.6 million in 2009. On a pro-forma basis, including 100% of Keystone's revenue in the year, net revenue totaled R$19,485.2 million.

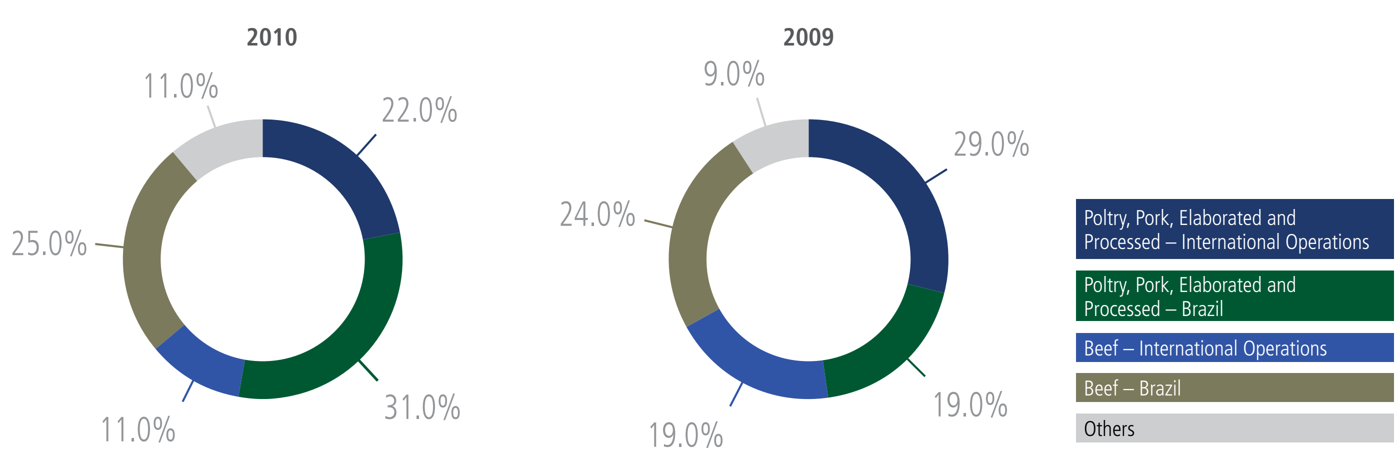
The growth is linked to the greater use of beef capacity and the good performance of the food service sector. The merger of Seara, Keystone Foods and O'Kane Poultry into the Group, the increase in sales in Europe and the organic growth of operations also contributed to this result.

NET REVENUE
(in billions of R$)



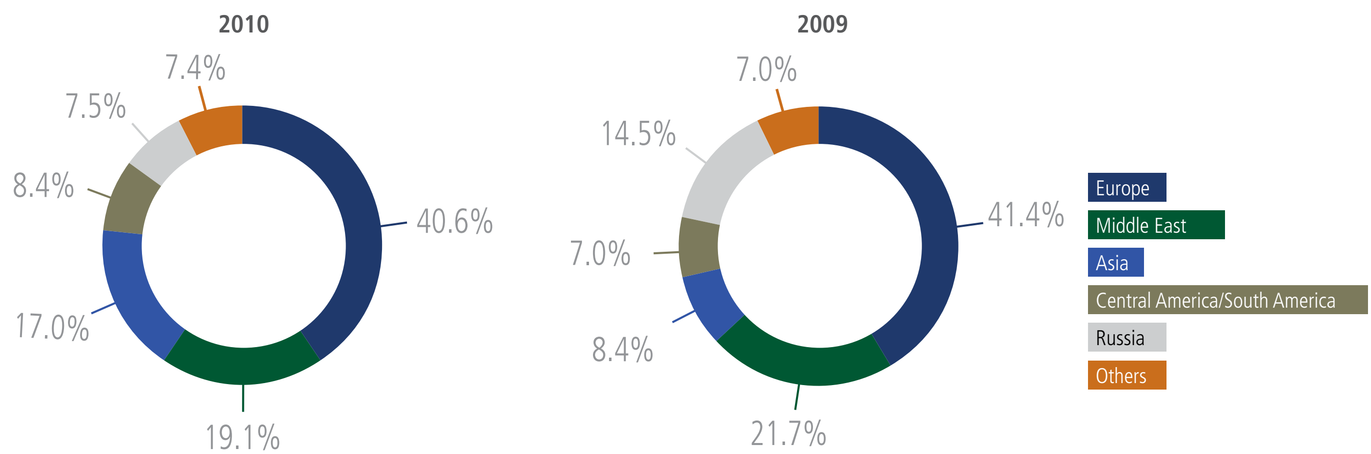
Evolution of Net Revenue.

EVOLUTION OF PROTEIN DIVERSIFICATION IN NET REVENUE



In 2010, nearly 60% of revenue resulted from sales in domestic markets, denoting the Group's strength and presence in markets where it operates, and the remaining 40% resulted from exports. This reflects the strength that the domestic markets where we operate represented for the Group's sales, showing definite assertiveness in our geographical diversification strategy. Another Group's strategy is balance internal and external sales, aiming to mitigate risks and exposure to the markets.

BREAKDOWN OF EXPORT REVENUE BY DESTINATIONS



The main destination of our exports continued to be Europe. It is worth emphasizing, however, that Asia recorded significant growth in external sales compared to the previous year, which is explained by Seara's merger in 2010.

Cost of Goods Sold (COGS) in 2010 was R$13,277 million, 58.6% up on 2009. Seara's full consolidation and O'Kane's and Keystone's entry contributed to this balance, in addition to the increase in the prices of raw materials, which includes the purchase of animals and inputs for animal food (grains).

Beef operation accounted for 43.0% of total COGS, while Poultry, Pork, Elaborated and Processed products accounted for the remaining 57%. Beef cattle accounted for nearly 80% of the COGS for the Beef operation, while grains and bran accounted for nearly 40% of the Poultry, Pork, Elaborated and Processed products operations, grains.

COST OF GOODS SOLD – COGS (IN MILLIONS OF R$)

COGS	2010	% Part	2009	% Part	% VARIATION 2010/2009
Raw Material	-8,842.0	66.6	-5,632.9	67.3	57.0
Packaging	-549.9	4.1	-388	4.6	41.7
Electricity	-157.5	1.2	-168.4	2.0	-6.5
Direct Expenses + MOD*	-2,973.9	22.4	-1,372.3	16.4	116.7
Indirect Expenses + MOID**	-670.6	5.1	-511.9	6.1	31.0
IFRS Adjustments***	-83.1	0.6	-148	1.8	-43.8
Total	-13,277.0	100.0	-8,369.4	100.0	58.6

**Direct expenses and direct labor.*
***Indirect expenses and indirect labor.*
****See item 2.3 of explanatory notes.*

Marfrig's Gross Profit in 2010 reached R$2,601.4 million, 107.4% up on the R$1,254.2 million recorded in 2009. Gross Margin totaled 16.4%, a 335 basis point increase against 13.0% recorded in the previous year. The increase in Beef division capacity utilization in Brazil, the improvement in operations in Europe and the gradual increase in sales of elaborated and processed products explain the expansion of this margin.

Selling, general and administrative expenses (SG&A) totaled R$1,970.2 million in 2010, 111.6% up on the R$931.2 million in the previous year. The increase in workforce, with the integration of the operations of Seara, O'Kane Poultry and Keystone Foods, investments in advertising and marketing and the increase in freight expenses following the increase in sales were the main drivers of this total. Regarding Net Revenue, SG&A accounted for 12.4% in 2010, against 9.7% in 2009.

EBITDA (Earnings Before Income, Taxes, Depreciation and Amortization) totaled R$1,502.5 million, with a 9.5% margin, representing an increase against the EBITDA of R$725.0 million for 2009, and a 7.5% margin.

The expansion in EBITDA margin can be justified by the following factors:

- Increase in the utilization of Beef Brazil plants;
- Increase in Food Service sales;
- Increase in export sales to more profitable markets;
- Gains of synergies in Seara's operations, increase in Seara's sales and full consolidation in the year;
- Company's ability of passing on prices increases;
- Good performance of operations in Europe.

Marfrig is focused on increasing the share of elaborated and processed products in revenue, as well of sales through more profitable distribution markets, which should provide it with long-term sustainable margins.

	REAL			PRO-FORMA		
	2010	2009	2010 X 2009	2010	2009	2010 x 2009
EBITDA	1,503	725	107.2%	1,741	765	127.4%
EBITDA Margin	9.5%	7.5%	193 p.b.	8.9%	4.5%	448 p.b.

In 2010, Marfrig posted negative financial earnings of R$1,147.2 million, which is a significant decrease against positive earnings of R$145.1 million for 2009. The result was impacted by the increase in interest expenses arising from greater net indebtedness generated by investments in capacity increase and new raising of funds directed towards the acquisitions made in 2010 and 2009.

It is worth emphasizing that Marfrig does not perform leveraged transactions with derivatives or similar instruments other than those aiming at minimum hedging against exposure to other currencies, under a conservative policy of not undertaking transactions that might affect its financial condition.

NET FINANCIAL INCOME (IN MILLIONS OF R$)

	2010	2009	2010 X 2009
Financial Revenues	253.6	176.7	43.5%
Exchange Variation Gain	282.7	728.7	-61.2%
Financial Expenses	-1,295.8	-675.1	91.9%
Exchange Variation Loss	-388.8	-85.2	355.3%
Financial Income	-1,147.2	145.1	N/A

In 2010, the Company's Net Profit totaled R$146.1 million, 72.7% versus R$534.4 million in 2009, when it was leveraged by a net positive exchange variation of R$643.5 million. The net margin in the year was 0.9% against 5.6% in 2009. Pro-forma income would be R$259.1 million, with a 1.3% net margin. The temporary effect of the exchange variation on indebtedness, interest expenses and the financial impact of investments on working capital were the main factors contributing for the Company's reduced the net profit in 2010.

The strategy established by Marfrig Group towards geographic and protein diversification, in addition to a globalized distribution platform, will permit the increase in cash generation, enabling the gradual strengthening of cash flow and credit metrics, in addition to its ability to comply with the commitments undertaken.

Regarding investments made by Marfrig in 2010, the amount totaled R$3,949.5 million, 372.9% up on 2009. The results are due to important acquisitions made during the year, which consolidate the Group's strategy of being one of the leading global players in its segment. Emphasis must be given to:

- The acquisition of Seara Alimentos S.A. and its affiliates in Europe and Asia, in addition to 12 plants in the segment of value-added elaborated and processed poultry and pork products and one port terminal. With the acquisition, Marfrig ranks as the 2nd largest player in the domestic and export markets of poultry and pork and one of the world's largest players, while adding the Seara brand to high value-added processed products of recognized importance in Brazilian and international markets.
- The acquisition of O'Kane Poultry Ltd., a Northern Ireland company, with capacity to process 120 thousand chickens and 20 thousand turkeys per day. O'Kane Poultry expands the Group's production capacity in the United Kingdom and adds product diversification from the activities of Moy Park.
- The acquisition of Keystone Foods LLC, a company specialized in the food service channel, with global scope in the area of development, production, trading and distribution of poultry, fish, pork and beef-based foods. Keystone is present in 13 countries, with 54 production units, serving more than 35,000 restaurants and with more than 13,000 employees. This acquisition raises Marfrig up to the distinguishable position of main supplier of the world's largest quick service chains.

CONSOLIDATED INVESTMENTS (IN MILLIONS OF R$)

	2010	2009	% Variation in 2010 X 2009
Net Investment	1,534.9	190.3	706.6
Capex – Invesment in Property, Plant and Equipment	1,119.1	538.6	107.8
Intangible Assets/Goodwill/Deferred Assets	1,295.5	106.2	1,119.7
Total Investment	3,949.5	835.2	372.9

The Company's consolidated gross indebtedness increased by R$4,073.7 million, while cash and cash equivalents increased by R$ 842.9 million, evidencing the R$3.94 billion investment made in the period (among which Keystone Foods in October 2010 and Seara Alimentos in January 2010 are worth mentioning) and the working capital investment for increasing the use of beef plant capacity and Seara's sales.

The leverage index (net indebtedness of R$5,351.4 million and pro-forma EBITDA of R$1,740.9 million) was 3.07x (EBITDA's leverage index in the last twelve months of R$1,502.5 million was 3.56x). Indebtedness in reais accounted for 24.8% of the Company's gross indebtedness, while other currencies accounted for 75.2%. Revenues in currencies other than the real accounted for 73.3% of the Group's revenues in 2010.

At the end of 2010, 30.9% of the Company's debt was short-term debt, against 28.6% in 2009. In 2011, the Company maintained the focus on the management of its capital structure, aiming to improve the profile of its indebtedness. Cash and cash equivalent as of December 31, 2010 was R$3,876.4 million, 27.8% up on the amount of R$3,033.4 million recorded in the previous year and sufficient to cover 1.4x the short-term indebtedness of R$2,852.6 million.

Out of the Group's total debt, 56.5% were guaranteed by aval surety, bank sureties or promissory notes.

In 2010, Marfrig Group raised R$2.5 billion through its 2nd issue of debentures mandatorily convertible into shares within 5 years, the proceeds of which were used to finance the acquisitions of O'kane Poultry and Keystone Foods LLC. In addition, an offering of Bonds was held abroad in the amount of US$500 million, maturing in ten years, at a (coupon) rate of 9.5% per year. These funds were used to improve the Company's indebtedness profile.

CONSOLIDATED INVESTMENTS (IN MILLIONS OF R$)

	12/31/2010			12/31/2009		
DETAIL OF INDEBTEDNESS (IN MILLIONS OF R$)	Current	Non-current	Total	Current	Non-current	Total
Local Currency	1,254.3	1,036.7	2,291.0	713.0	569.1	1,282.1
Foreign Currency	1,598.3	5,338.6	6,936.8	718.1	3,111.5	3,829.6
Consolidated Indebtedness	2,852.6	6,375.2	9,227.8	1,431.1	3,680.5	5,111.7
Cash and cash equivalents	3,876.4		3,876.4	3,033.4		3,033.4
Net Indebtedness			-5,351.4			-2,078.3

CAPITAL MARKETS

At the end of 2010, the Group's capital stock was R$4,061,478,051, represented by a single class of 346,983,954 common shares.

Marfrig's shares are traded under the MRFG3 code in the Novo Mercado listing segment of BM&FBOVESPA and integrates the theoretical portfolios of IBrX – Brazil Index, IGC – Differentiated Corporate Governance Stock Index, ITAG – Tag Along Stock Index, INDX – Industrial Sector Index, MLCX – Mid-Large Cap Index and ICON – Consumption Index.

As of 2010, the shares integrate the portfolios of Ibovespa and IBX-50, reflecting their increased liquidity. They also integrate the ICO_2 – Carbon Efficient Index, which was created by BM&FBovespa and BNDES to encourage publicly-held companies' management of climate changes.

The daily average financial volume totaled R$27 million in 2010 against R$10.4 million in 2009. The company's shares closed the year at R$15.50, with 18.9% accumulated depreciation, while Bovespa Index appreciated by 1%.

PERFORMANCE BY DIVISION

Beef

2010 was a year of growth for the Beef division, especially for operations in Brazil, boosted by the favorable economic situation, with strong domestic demand and a gradual rise in exports.

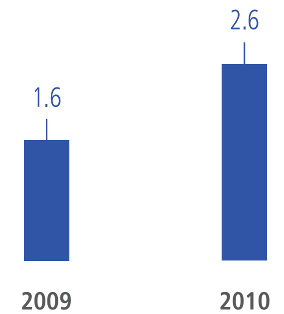
CHANGES IN SLAUGHTER FIGURES (NO. OF HEADS)	2010	2009	% Variation 2010 x 2009
Beef			
Brazil	2,652,694	1,567,661	69.2
Argentina	569,641	698,823	-18.5
Uruguay	503,222	554,236	-9.2
Total Beef	3,725,557	2,820,720	32.1
Total Lamb	325,998	423,377	-23.0

In Brazil Operation, the heating up of demand in the domestic market allowed the plants leased by the Company at the end of 2009 to be put into operation, as well as leading to an increase in production at our own plants, which brought significant gains in market share of slaughter.

In the export market, the gradual recovery of demand in international markets led to a 21.1% increase in shipments, which reached 173.4 thousand tons in 2010 against 143.2 thousand in 2009. Marfrig's average market share of Brazil's beef exports amounted to 18.1% in 2010, according to SECEX figures.

CATTLE: EVOLUTION OF SLAUGHTERING

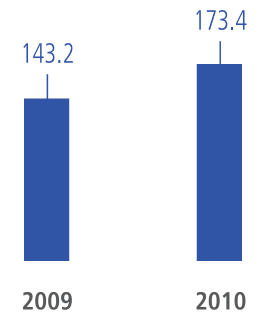
No. of cattle head (in millions)



Source: MAPA and Marfrig.

CATTLE: EXTERNAL SALES

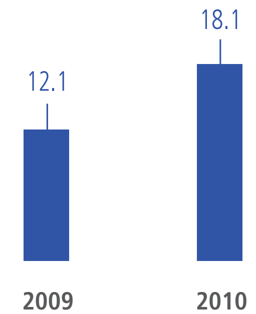
(in thousand tons)



Source: Secex and Marfrig

CATTLE: AVERAGE MARKET SHARE OF EXPORTS

(in thousand tons)



Source: Secex and Marfrig.

R$ 6.9 billion

The Company's revenues from Brazil and International Beef operations increased by 48% against 2009

Beef's international operations faced challenges in 2010. In Argentina, Marfrig's operations concentrated on the domestic market, with particular emphasis on elaborated and processed products, and this allowed us to overcome the difficulties created by price control in the domestic market and by restrictions on exports.

In Uruguay, the local cattle breeding cycle was affected by adverse climate conditions, which led to an increase in prices. Marfrig then opted to suspend production in some of its plants during the second semester, in order to carry out maintenance and improvements and thus optimize its performance and operational structure.

In 2010, Marfrig's revenues from Brazil and International Beef operations amounted to R$6.9 billion, R$4.6 billion up on 2009.

KEY ECONOMIC AND FINANCIAL RESULTS OF THE BEEF DIVISION

IFRS BEEF SECTORS (R$ MILLION)	2010	2009	Variation
Net Operating Revenue	6,865.0	4,649.8	47.6%
Cost of Goods Sold	-5,704.80	-3,842.1	48.5%
Gross Income	1,160.2	807.7	43.6%
Gross Margin	16.9%	17.4%	-47 BPS
SG&A	-815.9	-427.1	91%
Selling	-441.2	-291.1	51.6%
Administrative and General	-252.5	-162.7	55.1%
Other Operating revenue/expenses	-122.2	26.8	NA
EBITDA	504.1	486.3	3.6%
EBITDA Margin	7.3%	10.5%	-312 BPS

POULTRY, PORK, ELABORATED AND PROCESSED PRODUCTS

In Brazil, the Seara operations were merged with the former Poultry, Pork and Industrialized division (DASI) in 2010, unifying platforms and systems which brought improvements in the company's procedures, management and organization, and investiments in reestablishing the brand and increasing the elaborated and processed products line. In the International operations the merger of Keystone Foods and O'Kane Poultry consolidated Marfrig's position as a global food company, with a solid platform for the distribution of animal proteins, creating opportunities for the world-wide distribution of our products manufactured in South America.

CHANGE IN FIGURES FOR SLAUGHTER OF POULTRY, PORK, ELABORATED AND PROCESSED PRODUCTS DIVISION

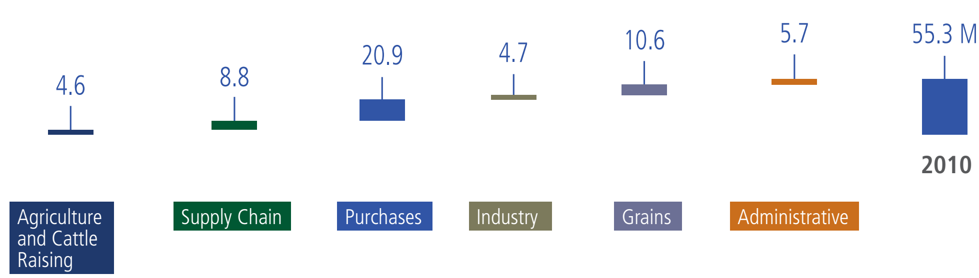
CHANGE IN SLAUGHTER FIGURES	2010	2009	% Variation 2010 x 2009
Poultry (thousands of heads)			
Brazil	649,278	263,805	146.1%
Europe	189,206	162,881	16.2%
Total Poultry	838,484	426,686	96.5%
Total Pork	2,624,895	992,730	164.4%
Total Turkey	5,859,982	2,132,102	174.8%

In the Brazil operation, Marfrig acquired Seara, the second largest producer and exporter of poultry and pork in Brazil, thus gaining significant market share in the domestic market and in exports. These gains were achieved through the launch of 120 new products, more than 80% of them elaborated and processed products with higher value-added aimed at the domestic market.

In terms of exports, Marfrig ended the year with a 20.5% market share of poultry exports, according to Secex figures, and 12.9% for pork. The hike in the volume of imports into Europe, Asia and the Middle East was responsible for this positive result.

The acquisition of Seara also increased synergies in the division's operations, amounting to R$55.3 million in 2010. We expect to achieve a further R$140 million in synergies in 2011.

BREAKDOWN OF SYNERGIES OBTAINED IN 2010 (IN MILLIONS OF R$)



The acquisition of Keystone Foods and O'Kane Poultry brought operational benefits for the international operations of Poultry, Pork, Elaborated and Processed products, with synergies in production and distribution. Elaborated and processed products increased their share of the business. Keystone also opened doors allowing the Group to have first-hand access to new markets, such as Asia, the Middle East and Oceania (in the form of plants and distribution centers) and it brought financial benefits through its consistent cash flow generation, constant margins and business stability.

Marfrig's Poultry, Pork, Elaborated and Processed division saw revenues of R$9 billion for the year, R$5 billion up on 2009.

R$ 9 billion

Revenues from the Poultry, Pork, Elaborated and Processed Products division increased by 81% against 2009, thanks to organic growth and to the integration of Keystone Food and O'Kane Poultry

PRINCIPAL ECONOMIC AND FINANCIAL RESULTS FOR THE POULTRY, PORK, ELABORATED AND PROCESSED DIVISION

POULTRY AND PORK SEGMENTS IFRS (R$ MILLION)	2010	2009	% Variation
Net Operating Revenue	9,013.5	4,973.8	81.2%
Cost of Goods Sold	-7,572.20	-4,527.3	67.3%
Gross Income	1,441.3	446.5	222.8%
Gross Margin	16.0%	9.0%	701 PBS
SG&A	-909.8	-423.1	115.0%
Selling	-966.3	-350.4	175.7%
Administrative and General	-310.2	-126.9	144.4%
Other operating revenue/expenses	366.7	54.3	575.7%
EBITDA	998.4	238.7	318.3%
EBITDA Margin	11.1%	4.8%	628 BPS

Chile

Empanadas

Ingredients for the filling

- 3 tablespoons olive oil
- 2 cloves chopped garlic
- 1 chopped onion
- 100 g cubed chicken breast
- 200 g cubed pork loin
- 200 g cubed filet mignon
- 100 g cubed Portuguese sausage
- 1 tablespoon wheat flour
- 2 chopped tomatoes
- 1 cup Chilean olives unevenly cut
- 1 cup chopped chives
- Salt and black pepper to taste

Ingredients for the dough

- 3 ½ cups wheat flour (500 g)
- 1 teaspoon salt
- 100 g unsalted butter cut into small pieces
- 1 cup water
- 1 slightly beaten egg yolk (for brushing over)

Preparation of the filling

In a frying pan, heat the olive oil and fry the garlic and the onion. Add the chicken breast, the pork loin, the filet mignon and the sausage. Season with salt and pepper and cook for about 10 minutes in a half-closed saucepan until the meat is cooked and soft. Remove the frying pan from the heat and sprinkle wheat flour, stirring constantly. Get the frying pan back to the heat and add the tomato, the olives and the chives. Mix and cook 3 minutes. Remove from heat and let cool down.

Preparation of the dough

In a large bowl, place the flour, the salt and the butter. Mix with the tip of your fingers until it mixes. Add the water little by little and continue to work on the dough until it becomes homogeneous. Press and knead the dough on smooth surface. Let it rest for about 15 minutes. Open dough portions by using a roll and cut them with a 14 cm-diameter cutter. Place a spoonful of filling and close the dough by joining its edges, into an *empanada*. Place it in an oiled and flour sprinkled tray. Brush it with the egg yolk and bake it in a pre-heated oven (200°C) for 20 minutes until it becomes slightly brown. Quantity: 15 units.

RELATIONSHIP WITH STAKEHOLDERS

GRI 4.14 and 4.15

MARFRIG HAS A DIRECT RELATIONSHIP WITH ITS STAKEHOLDERS AND DOES NOT TOLERATE DISCRIMINATORY PRACTICES AMONG ITS STAFF

OUR STAKEHOLDERS

Marfrig Group defines as its principal stakeholders: clients, consumers, investors, suppliers, employees and society in general. The Group has a direct relationship with these stakeholders, and the things that may make a difference to these groups can have an extraordinary influence on the Company's business.

The Company's Code of Ethics defines all the values which the Group has made its own, as well as the behavior towards its stakeholders, as expected in a corporate relationship. In this context, the first and the major value stressed by the Code of Ethics in relation to each group of stakeholders is respect – a level of respect which is developed by encouraging dialogue, and which is intended to build a relationship with each category of stakeholder based on trust, and looking to mutual benefit.

EMPLOYEES

GRI LA1 and LA2

Marfrig Group could count 90,625 employees world-wide at the end of 2010, an increase of 93% when compared to 2009. This increase is explained by the company's organic growth and by the integration of the companies acquired during the year, such as Seara, O'Kane Poultry and Keystone. The table below shows the number of employees per division:

STAFF

BUSINESS DIVISION		2010	2009
Beef	Brazil[1]	20,494	15,714
	International[2]	9,965	8,039
Poultry, Pork and Processed Products	Brazil	36,435	14,366
	International	23,731	8,865
Group Total		90,625	46,984

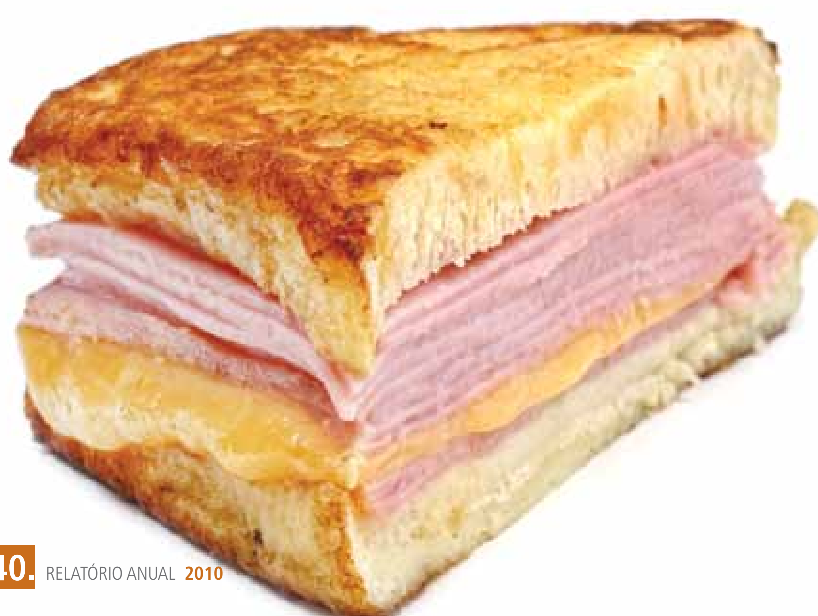
[1]Includes employees in the Holding Company.
[2]Includes employees of Marfood and Chile.

At the end of 2010, 59% of the Company's workforce was made up of men, and 41% of women. This represents an increase in the year of about 14% in the share of the total workforce represented by women. Marfrig assists and encourages the entry of women into the labor market.

We are a young Company, and the majority of our employees (some 73%) have been with us for about 5 years; the rest (27%) have worked in Marfrig Group for more than 5 years. In terms of age, 67% of the employees are up to 35 years old, and the other 33% are older than 35. The Company's average monthly staff turnover in 2010 was 3.79%.

Diversity

Marfrig Group will not tolerate prejudice or discriminatory practices among its employees. The Group is in favor of dialogue and does not impose an exclusive corporate culture – this is our way to show our respect for ethnic and cultural diversity, as well as for the special characteristics of the places where we operate. This means that when the Group acquires new companies and therefore, new and foreign stakeholders, it does not impose its culture, but adds to the culture of the subsidiary companies its offering of equal opportunities to all members of the staff. This attitude is made explicit in Marfrig's Code of Ethics, which treats respect for diversity and living together in harmony in the workplace as axiomatic; and also provides mechanisms for confidential reporting in cases where these principals are violated.



The Company sees diversity as an opportunity for shared development. Beef Brazil and International operations both offer recruitment programs which lead to the hiring and integration of indigenous people and those with special needs. These programs allow such employees to have experience of working and carrying out duties in various areas, accompanied by specialized professionals.

Another noteworthy program is the Keystone's Women's Inclusion Network (K-WIN), which was created to assist with the professional development of women in Keystone Foods. K-WIN provides networking, training of various sorts and assistance to women in leadership positions.

Remuneration and Performance

Marfrig Group has set up a Remuneration, Corporate Governance and Human Resources Committee that assists in setting group policies for remuneration and performance.

Our goal is to be always guided by the best and most progressive guidelines, whether Brazilian or international, in establishing our policies for human relations and the treatment of staff; for we consider our human capital to be a resource which is fundamental for the stability of the corporation. We believe that our employees are strategic stakeholders for the Company, which is dedicated to forging a relationship based on trust, implementing programs aimed at guaranteeing employee satisfaction.

Marfrig seeks to offer its employees competitive salaries in a stimulating work environment, in order to develop in-house skills and leadership. The business units abroad are free to establish independent salary ranges and to create programs for assessing their employees' performance, as long as local labor laws are respected and provided that they seek to adopt the best market practice.

In Seara, for example, all employees are subject to performance reviews. However in the Plant Leadership Development 2010 project, the project managers involved some members of the staff so that they developed skills and managed their area as if it were their own business, considering personal attributes, work methodology, costs and budgeting. In 2010, 200 employees took part in the project, which included a training program to develop the skills necessary for perfecting job-related activities, and the abilities required for team leadership and production management. A hundred and twenty participants were involved in this program during 2010.

Health and Safety

GRI LA6 (partially answered) and LA9

Marfrig's Policy for Occupational Health and Safety sets forth directives, guidelines for preventive behavior and the responsibilities attaching to all those involved in managing the system, with the aim of reaching the zero-accident level. The Group meets all legal requirements and is also committed to the continuing development of safe working practices for every task, and to promoting the safety and hygiene of the buildings, premises, equipment and work tools. Only protective equipment of the highest quality is acquired for personal and collective use; and Marfrig insists that contractors abide by both its own rules and the legislation relating to safety and medicine in the workplace.

Each division has an in-house committee, which holds meetings attended by representatives of the unit's various hierarchical levels. Apart from this, there are Internal Accident Prevention Commissions (CIPAs) whose job is to teach employees the importance of the correct use of safety equipment and how to use the appliances and other work tools in such a way as to prevent accidents. The CIPA is also responsible for implementing, assessing and monitoring the degree of safety in the working environment, and for promoting accident reduction policies, such as the Internal Occupational Accident Prevention Week (SIPAT). Among the special programs existing for accident prevention, the following are especially notable: working at heights, confined spaces, hot work, blocking and labeling and the emergency plan.

The in-house teams also develop campaigns for prevention and care in health and safety, such as respiratory protection programs, control and health protection for the ears, ergonomics programs and other activities aimed at maintaining a healthy body and mind. Finally, April 28 is celebrated in every Marfrig unit, as the World Day for Occupational Safety and Health.

Accidents leading to absence from work are becoming rarer each year. In-house teams dedicate themselves ever more single-mindedly to awareness programs for workers which will cut accident rates and offer safe working conditions.

Marfrig respects diversity, supports professional development and is concerned for the health and safety of its employees

Continuous Improvement and Development of Leadership

GRI LA11

The management of every division in Marfrig Group is aware of its commitment to improve the skills of its employees They do this by providing incentives and investing in the continuous training of staff, arranging for them to attend technical or academic courses. All units are authorized to make decisions independently in respect of Education and Training, with the result that there are a number of different and successful initiatives under way.

In our international operations, Keystone Foods gives training to all new employees in the areas of food safety, environmental risks and safety in the workplace, among other things. The training courses are updated every year.

Similar initiatives are being undertaken in Uruguay, through which the workers have the benefit of annual training programs, with financial support provided; and they can also take advantage of the Career Plan, which has been put in place so that each one of them is motivated to achieve self-development as they seek to attain both professional and personal ambitions. In Argentina, Marfrig Group extends these initiatives by offering behavioral training, intended to improve skills and attitudes. The Beef Brazil division, in turn, focuses on assisting selected members of its staff to pursue an MBA in Business Management.

Seara has created its own program for learning English, the Seara Language Program, which helps speed up the process of learning the language and stimulates self-development. It is part of the Training and Development process, and the employee receives a grant as an incentive to participation. Apart from this initiative, Seara offers its Educational Incentive Program, which provides full student scholarships for Elementary and High School; Technical Courses, where 50% of the costs are paid; Undergraduate Studies, for which 50 scholarships are offered each year, with 75% of the monthly fees and the enrolment fee being subsidized; and Graduate Courses, with 50% of monthly fees and the enrolment fee being covered, for which the number of scholarships is decided each year.

Labor Practices

GRI LA4, HR1 (partially answered), HR2 (partially answered) and HR5

Marfrig Group strictly complies with all the laws related to labor rights and is a defender of a fair employer-employee relationship. Furthermore, Marfrig Group operates in compliance with the SA8000 standard of social responsibility, which deals with the quality of actions, relationships and conditions in the work environment, including respect for human rights, for the rights of children and for the fundamental rights of labor. These criteria are applied both in our relationship with our internal stakeholders and towards our other partners who are part of the chain of production.

In Brazil, a Human Rights assessment is applied to all cattle purchases, as part of the undertaking we have made to trace any occurrence of slave labor or working conditions analogous to slavery, wherever in the chain they may occur. The Company has a policy of not acquiring cattle from farms included in the Slave Labor Blacklist drawn up by the Ministry of Labor and Employment (Directive No. 540/2004 of 10/15/2004), and takes proactive steps in the case of producers who disregard the current legislation, ensuring that they are immediately removed from the authorized list of supplier of animals for slaughter.

All divisions of the Group stick rigorously to their Codes of Conduct, requiring that contractors respect labor practices and decent conditions of work, matters which are intimately related with respect for Human Rights. The Corporation maintains good relations with trade unions, allowing free choice of association. Of all Marfrig Group's employees, an average of 73% are covered by collective bargaining agreements in their place of work.

Communication and Dialogue

Marfrig Group also maintains various channels of communication with its staff, and is constantly seeking to improve them. All relevant information is placed at the disposal of our internal stakeholders on our website, in in-house newsletters, both printed and online, via the intranet or through published reports. This is a way of sharing everything that is of particular importance in the Company. Communication is stimulated too by the positive attitude of all the managers, who seek to have a good relationship with their teams and thus to contribute to a healthy organizational climate.

Corruption

GRI SO2 (partially answered), SO3 (partially answered) and SO4

Integrity is one of the values that the Group defends in all its relationships. The Company's Code of Ethics accordingly repudiates all and any type of fraudulent relationship within the sphere of the Corporation, under whatever circumstances. No case of corruption was identified during 2010 in any of the Group's divisions.

Marfrig Group encourages transparent behavior, uprightness, legality and honesty. The use of anything belonging to the company for underhand purposes is therefore considered a very serious infraction of the Organization's code of ethics. Similarly, all business is conducted without seeking personal favor or any advantage for third parties. Each division has its own ways of preventing any sort of corruption. At Keystone, for example, 300 members of senior management are required to abide by a more severe code of conduct. In Europe, on the other hand, anti-corruption measures can be observed in the operation of an internal audit team, working in close collaboration with the legal department, which assesses the risks of corruption and advises on the best ways to alleviate or eliminate them.

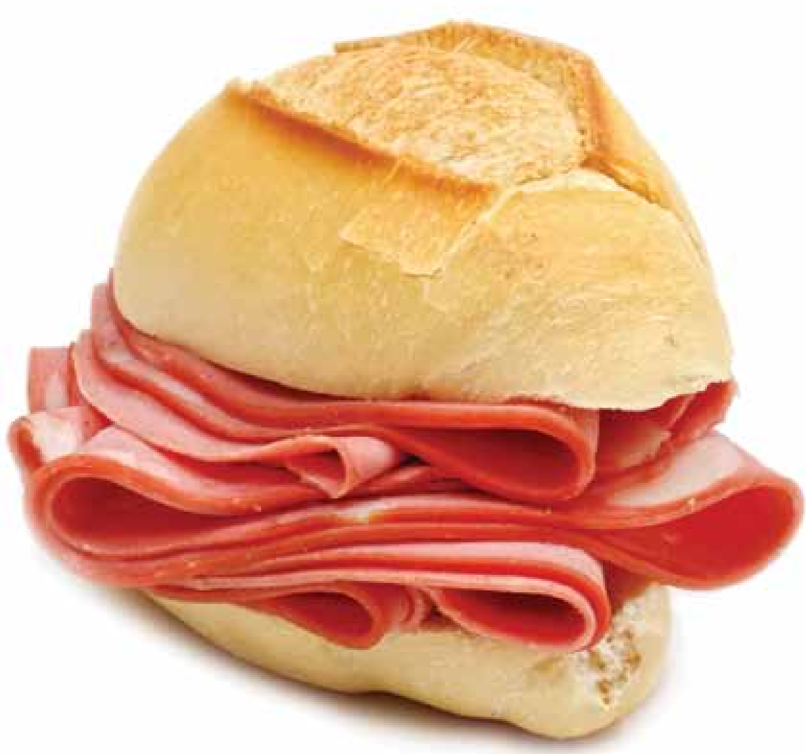
It is also relevant to point out Moy Park's anticipation of the Bribery Act, which is shortly to come into force in the United Kingdom. The unit has been working to train its teams in Europe, and in its other world-wide subsidiaries, in preventive measures which will complement the legislation.

CLIENTS

The client of Marfrig Group is the Corporation's most important partner. It is to the client that the Group devotes its greatest efforts, in order to offer quality products and services which will serve his needs. We are always seeking to adopt the best market practices, throughout the production process, with the aim of providing 100% satisfaction to the more than 79 thousand clients of Marfrig around the world.

Commitment to the client is the essence of Marfrig Group. This commitment is evident in punctual delivery and in the quality of the products; and these factors have allowed the Company to become a supplier of ingredients to the largest restaurant chains in the world, and have earned it its reputation for excellent quality both in Brazil and overseas.

The Company endeavored to obtain the ISO 22000 certification, which the Société Générale de Surveillance (SGS) awards for compliance with food safety standards. This means that the client can go about their business with peace of mind, as well as strengthening the partnership between us. The strictness of our internal controls is part of our nature, as we continually improve our products and services quality.



The client's rights guide Marfrig Group's relationships, side-by-side with the construction of a dialogue which forms the basis of trust. The Company devotes itself to its clients with a mixture of competence, responsibility, loyalty and integrity, always seeking excellence in its business dealings; and some recognition of this has been achieved, as the section on Awards and Recognitions shows.

CONSUMERS

The Group puts a high value on the constant search to fully serve the needs of consumers, and this is reflected in the creation of innovative products which satisfy local needs. And Marfrig, as a food company, takes care to offer a complete line of healthy, tasty, rich and nourishing products.

In this context, the work being done in Argentina stands out, where our unit is in partnership with the Argentinian Celiac Association: 40% of the products which market leader Paty offers for retail sale are intended for people suffering from celiac disease (who are intolerant to gluten). The Paty brand also offers consumers low-salt products, thus encouraging them to adopt healthier feeding habits.

In Europe the market is very demanding in terms of verifying the provenance of products and the capacity of foodstuffs to contribute to the consumer's health. Organic products are widely purchased, especially meat and poultry sub-products (chicken and turkey) which have been raised without chemical additives and in a sustainable rearing process.

The Group can show that it is in line with these trends and that it is committed to satisfying the concerns of its consumers, by offering products and services prepared according to the most rigorous criteria in terms of quality, food safety and the sustainability of the productive process. We do this so that Marfrig's end consumers, wherever they may be, may always have access to the best products. Today the Company sells its products to consumers in more than 140 countries, spread across 5 continents.

Consumer Health and Safety

We do not only concern ourselves with quality in specific areas, because we believe that our relationship with the consumer becomes stronger when the whole chain of production is deserving of confidence, and when the final product is of a high standard, contributing to the health of whoever consumes it.

The growing commitment of the Group implies innovation and a continuous improvement in our products, which aim to be healthful, rich in nourishment and a pleasure to eat. To achieve this, Marfrig has adopted operating principles which range from genetic selection (to produce leaner meat) and products with less calories and lower levels of salt, to the development of projects focused on improvement and innovation from the very start of the process.

The Group's Quality System demands strict standards of hygiene from the operators, the installations, the equipment and the work surroundings. The System includes the stages of R&D (Research and Development), planning, transport, storage, distribution and selling. These procedures are bases for the risk and danger analysis programs with critical controlling points carefully management, to make sure that the offered product meets the performance and safety criteria established at each stage of the production process, from the farm to the table.

The main goals that keep the quality and healthy animal conditions flow include compliance with legal requirements and with the Organization's own policies and quality directives. Among them:

DIALOGUE WITH CLIENTS AND CONSUMERS

Our consumers have at their disposal the Consumer Service Call Center (SAC), which is available to listen to suggestions, criticisms and complaints, as well as to provide information and to give the best possible advice to clients and consumers. The SAC can be reached via the phone number 0800-473031 or by email to seara.atende@seara.com.br.

1. Safe Feed for the Animals – GMP/HACCP
2. Good Animal Husbandry Practices
3. Responsible Use of Medicines
4. Control of Pathogens
5. Traceability
6. Animal Wellbeing
7. Environmental and Technological Sustainability

An initiative introduced for the first time in Brazil and carried out jointly with the world's largest supermarket chain involves the traceability of meat sold to the end consumer. Marfrig is taking part in a program which allows consumers to check the provenance of meat through bar code labels that are read in readers installed at the point of sale. This initiative confirms Marfrig Group's concern for the sustainability of its production process and its end consumers of products with a certificate of origin.

Apart from this, Marfrig is involved in important research projects with the University of São Paulo (USP), the Brazilian Council for Scientific and Technological Development (CNPq), the Brazilian Agricultural Research Corporation (Embrapa) and other well-know universities.

To promote a good relationship with consumers, communities and society, Marfrig Group is committed to social and environmentally responsible actions

These partnerships lead to better controlled and more successful production processes such as, for instance, the control of Salmonella sp. which was achieved in partnership with Embrapa and the Federal University of Rio Grande do Sul (UFRGS), and the sanitary quality of carcasses, in partnership with USP.

SUPPLIERS

GRI HR2 (partially answered)

We respect our suppliers and we value the relationship with them, as is shown by transparency in our dealings and timely payments.

In return, the Corporation expects its suppliers to behave ethically, mainly regarding to quality and food safety. Marfrig also monitors the performance of suppliers in terms of their respect for and preservation of the environment, since Marfrig Group's activities are intimately linked with biodiversity through a delicate relationship.

A strict controlling system is in place for selecting the suppliers who are to make up Marfrig' supply chain. The suppliers are assessed and given marks based on a "Pilot Lot", in a process intended to ensure the safety and quality of the products they supply. The Company also carries out inspections of its suppliers from time to time, in order to be able to assure its clients and end consumers that food safety criteria are being complied with. All the assessment and control work is done in accordance with technical and commercial requirements, and is carried out under the leadership of teams made up of technical experts.

In addition to the work of verifying, assessing and qualifying, Marfrig also participates in the development of the suppliers, so that they can improve their procedures and practices as required by the Group. Marfrig's Environmental areas also cooperate with the teams responsible for managing suppliers, identifying possible failures in behavior related to environmental performance and suggesting improvements, in order to enable these suppliers of products and services to continue working with the Group.

In this respect, Marfrig Group was a pioneer in the installation of the Amazon Biome Monitoring System, which provides for the monitoring by satellite of all its suppliers of cattle in the region, to assist in the fight against deforestation, invasion of indigenous areas or of national parks, and slave labor.

SOCIETY

GRI SO1 (partially supported)

Knowing that every economic activity impacts society and in an attempt to promote and encourage a relationship based on trust and on the possibility of mutual benefits, Marfrig Group develops and implements pioneering actions aiming to strengthen its commitment to social and environmental responsibility.

This positioning is translated into the association with key initiatives in the promotion of Social Responsibility, such as Ethos Institute For Business and Social Responsibility. Additionally, the Group is fully committed to the development of social and environmental projects that foster the development of the local communities where it is present, and the engagement of employees with these initiatives. Currently, Marfrig Group maintains 12 projects directed towards community support and environmental preservation.

Marfrig Institute for Sustainability

The Group's most recent initiative was the Marfrig Institute, which started operating in the end of 2010. Developed to support staff and needy communities neighboring the Group's operations in Brazil, the Institute provides welfare services and projects directed towards culture, health, environmental preservation and conservation, sustainable development, food and nutritional health and sports practice.

Partnership with Ronald McDonald Institute

Marfrig Group supports Ronald McDonald Institute's important social function in fighting child cancer in the several countries where both companies operate. This partnership's initiatives involve employees' engagement in volunteer activities and also the financial support of Marfrig Group to initiatives aiming at the building and purchase of equipment used for child treatment.

The Company also provides financial support to several projects developed by the Institute, which include the Early Diagnosis, Special Attention and Casa Ronald McDonald programs. Through these activities, the Institute offers education on cancer prevention and patients' quality of life by offering food, transport and psychosocial support to the patients and their family.

Marfrig is a supporting member and a member of the Institute's Board of Directors, and actively participates in the initiative.

In 2010, the Group was one of the sponsors of the 7th Invitational Golf Club, an international golf tournament held in Itu, and of the Institute's 2nd Fundraising Gala Dinner, which was attended by 700 guests, among entrepreneurs and executives, and which enabled the renovation of the Center for Pediatric Oncology of Hospital Central de Cuiabá (MT), which now assists nearly 1,500 children/day for medical visits and treatments.

My Home Project

My Home Project involves more than 200 Seara's employees, who work voluntarily in partnerships with municipal administrations, state and federal agencies and Caixa Econômica Federal, enabling the employees' major achievement of home ownership.

Since the beginning of the activities, 139 families in the states of Mato Grosso and Santa Catarina benefited from the definitive delivery of keys to their own homes. This is one of the main projects to be developed by Marfrig's Sustainability Institute throughout the Brazilian territory. Within the next three years, nearly one thousand houses are expected to be built.

Open Doors Project

Through the Open Doors Project, Marfrig Group receives the visit of students and community members in its units worldwide.

The project tightens the bonds of relationship with neighboring communities, as it provides the visitors with a closer contact with the Company and its processes.

Support to Local Communities

There are several initiatives in the different divisions which aim to strengthen Marfrig's relationship with neighboring communities.

Seara, for example, supports Parque Dom Bosco Institution, which has been developing a project directed towards education and insertion of students in the labor market for 49 years. Since 2005, Marfrig Group has been donating food to the Institution, which currently supports nearly one thousand students.

The Beef Division, in partnership with Sesi, develops the Education for Youths and Adults Project nationwide.

In England, another project has been developed successfully with the support of local governments. In this country, employees give defensive driving classes with the support of the police and community schools.

In the Group's operations in France, a project is underway for reducing sound pollution in night-time deliveries by the product distribution fleet.

Education and Insertion in the Labor Market

The Group's units support development incentive programs for first-time job seekers, and provide financial support to specializations in partnership with reputed academic institutions, such as Getulio Vargas Foundation.

Another example of education and labor market insertion project is the Hands-on Project, developed by Seara. In this project, the participants are trained to produce bread and other baking products.

By attending the Hands-on Project, youths may open the doors to the labor market, which encourages the exercise of citizenship.

Forquilhinha School Project (FRQ)

Through a social action in one of its units in the Southern region of Santa Catarina, the Company has been strengthening its relationship with employees and community through a qualification program.

The project, which started in 2005, is open to employees, dependents and relatives – who are rural producers in the neighboring areas. Since its implementation, nearly 1,000 students have already benefited from the course provided, which encourages the student to subsequently graduate in Production Engineering or Agribusiness Administration. Marfrig Group also provides all the learning structure and resources required, from audiovisual equipment to books and uniforms.

Government

Marfrig Group maintains good relationships with government entities and seeks to contribute to the formulation of public policies that benefit the company and its entire production chain. Thus, the Group seeks to actively participate in discussion forums, associations or organizations, as well as to closely act with the Federal Public Prosecutors' Office and State Environmental Offices.

In 2011, the Group ratified a commitment entered into in 2010 with the Ministry of Health ("Health Partner Company") involving meeting and following the calendar of the aforesaid federal agency nationwide, as well as Municipal Health Offices.

CIVIL SOCIETY ORGANIZATIONS

Participation in Sector Entities

In order to participate in the group's discussions and alignments, Marfrig was represented in the following sector entities in 2010:

- Brazilian Poultry Union (UBABEF): member of the Board of Directors.
- Brazilian Association of Pork Producers and Exporters (ABIPECS): member of the Board of Directors.
- Brazilian Association of Meat Exporting Industries (ABIEC): member of the Entity.

• Santa Catarina State Poultry Association (ACAV): President of the Entity.

Support to Charity Organizations

Marfrig Group makes charitable financial donations, as well as food donations, directly benefiting thousands of needy families. Among others, the Group participates in the "Building a Better World", Casa Hope's "Partners for Life", "HC Vida" and Barretos Cancer Hospital programs, donating nearly 200 thousand meals per month, and benefitting children and adolescents showing physical, visual, hearing and mental impairment; abandoned children and adolescents from various institutions, and the elderly in shelters, clinics and nursing homes.

SHAREHOLDERS/INVESTORS

The best practices are adopted by Marfrig Group to establish communication with these strategic stakeholders.

For Marfrig Group, all shareholders, regardless of the volume of shares acquired, are treated equally and receive sufficient, transparent and accurate information, pursuant to the Corporate Governance Rules to which the Company is subject.

IR Website

Marfrig's Investor Relations website provides all the information required for the investment decisions, as well as information for following up on the Company's economic and operating performance. This channel is the most important passive communication tool used by the Group in its relationship with these stakeholders.

All minutes of the Board of Directors' meetings, as well as documents relating to General and Extraordinary Shareholders' Meetings, Shareholders' Agreements, notices to the market, material facts and Earnings Statement are available to investors on specific pages, as well as at a download center, which also provides the history of previous years.

The interactive channel with shareholders and investors is also available through cell phones and tablets, in addition to enabling the receiving of information through RSS.

The (www.marfrig.com.br/ir) page is included in the Company's institutional portal. To contact the Group's Investor Relations area, visit www.marfrig.com.br/ir, or send an e-mail to ri@marfrig.com.br.

All reports published by the Group – among which, Management's Reports, Reference Forms, Earnings Releases, presentations and Annual Reports – are available in the Investor Relations portal and constitute the Company's effort to communicate with its investors with transparency.

Conference Calls

The Company holds quarterly conference calls in order to report its earnings and clarify any doubts its shareholders and investors, in addition to market professionals, may have.

On its investor relations portal, Marfrig Group also makes available both the audio and transcripts of such conference calls for download in order to increase access to and transparency of the Company's decisions and earnings.

Public Meetings

In its commitment to a transparent relationship with its shareholders and investors, Marfrig Group regularly invites them to physically attend its Shareholders' Meetings. The calls for these meetings are published in widely-read newspapers.

Additionally, Marfrig's senior management holds annual Public Meetings with Investors and Market Professionals. In 2010, a meeting was held in São Paulo and another in the city of Rio de Janeiro, both in August, under the support of the Association of Capital Market Investment Professionals and Analysts (Apimec).

Aussie Meat Pie

Ingredients for the filling

- 1/2 kg beef (striploin, rump) chopped into small pieces
- 4 tablespoons oil
- 1 beef stock cube
- 1 cup water
- nutmeg
- 3 teaspoons wheat flour
- Salt and black pepper to taste

Ingredients for the dough

- 2 cups wheat flour
- salt
- 100 g butter cut into small pieces
- ½ cup water
- 1 slightly beaten egg yolk

Oceania/Australia

Preparation of the filling

Fry the beef in oil until it turns brown. Add the meat stock cube and season with salt, pepper and nutmeg. Add water, let boil and cook from 5 to 10 minutes until it is soft. Stirring constantly, add the flour dissolved in some water. Let it boil and thicken. Remove it from the heat and let it cool down.

Preparation of the dough

In a large bowl, place the flour, the salt and the butter. Mix with the tip of your finger until it mixes. Add water little by little and continue to work on the dough until it becomes homogeneous. Wrap it in cling film and let it in the refrigerator for 30 minutes.

Open 1/3 of dough on a medium removable bottom tray. Assemble the tray and cover the tray sides with the remaining dough. Spread the filling and cover it with stripes of dough. Brush the egg yolk over and bake it in pre-heated oven (180ºC) for 30 minutes until it becomes slightly brown. Quantity: 6 servings.

ENVIRONMENTAL PERFORMANCE

PUBLIC COMMITMENTS, CERTIFICATIONS, INTERNATIONAL STANDARDS AND ENVIRONMENTAL PRACTICES ARE USED BY THE GROUP TO ENHANCE BUSINESS MANAGEMENT AND SUSTAINABILITY

POSITIONING AND STRATEGY

GRI EN14

Marfrig Group is working to become a reference in sustainability in its market segment. For this purpose, it follows an ongoing enhancement strategy, together with technological innovation and corporate governance. The Company is concerned about its activities and operations including principles that are appropriate to address environmental issues. This involves compliance with several legislations in different countries and adhesion to principles included in voluntary environmental responsibility guidelines.

The Company has been focusing on strategic planning of issues related to climate changes and consumption of natural resources in its production activities and the whole chain. A number of actions and programs have been implemented for the purpose of extending such concern about environmental performance and best practice adoption to the Group's several stakeholders.

Such attitude is implemented through corporate guidelines which guide all the Group's divisions on their way to sustainability, as well as the whole production chain, including setting up technical criteria for suppliers, environmental awareness by its people and surrounding community, and an appropriate environmental policy by government. The outcome is reflected on the offering of greater value-added quality products and services prepared based on modern low-environmental-impact technology.

Marfrig considers that a long-term vision addressing current challenges is crucial. Therefore, every management body is committed to designing and implementing efficient actions in their production chain so as to obtain return and ensure Group competitiveness. Business divisions follow the Group's guidelines regarding commitment to sustainability; however, they are empowered to take any actions according to their local needs.

Adhering to the major public commitments related to business sustainability reflects the proactive view adopted by the Group, which not only reacts to legal demands, but anticipate solutions.

ENVIRONMENTAL MANAGEMENT

INTEGRATED MANAGEMENT SYSTEMS

GRI EN14

Integrated Management Systems (SGI) are being implemented to meet social, environmental, health/safety, quality and safe food demands, in order to ensure compliance with applicable local legislation and international regulations, in addition to client requirements, and statutory, regulatory and other production chain requirements, and to monitor sustainability practices inside and outside the Group.

Internally designed by business divisions, these systems leverage processes for the areas involved, avoid action overlapping, enhance results and reduce costs. The Group is currently unifying the environmental policies and programs implemented in its several divisions, focusing on exchanging good practices and technological solutions.

The Beef Brazil division was the first beef segment in Brazil to obtain integrated SGI certification (ISO 22000, ISO 14000, OHSAS 18000 and SA 8000). Certifications cover part or even the whole production chain. The chart below shows an overlook of the number of certified Group units. In addition, the Corporation encourages the adoption of other international standards so as to provide its clients with the best quality of products and services.

CERTIFICATION	ISO 14001	ISO 9001	ISO 22000	ISO/TS 16949	ISO 18001	ISO 17025	SA 8000	AS 9100
Subject	Environmental Management	Quality	Safe Food	Quality for Automotive Industry	Health and Safety Management	Laboratory Quality	Social Responsibility	Aerospace Industry Quality
Total Marfrig Group	24	21	19	7	4	3	2	1

Total units certified.

Marfrig considers that certifications and the adoption of internationally acknowledged standards are tools to enhance business management. In addition, these are considered as catalysts in the process of integrating the Group's units. Process systematization and information standardization allow internal and external demands to be readily met and the whole production process to be traced.

In all units in Brazil, environmental analysts and regional environment coordinators enable control to be effectively applied. An environmental report is prepared on a monthly basis – a corporate document including information production, water consumption, waste and effluent, among others, for each unit. In addition, the Group units are annually submitted to an internal environmental audit, so as to assess the level of commitment to implementing ISO 14001 standard requirements, which attests to environmental management quality.

Highlights:

- Seara: 1st Private General Cargo Terminal in Southern Brazil to obtain ISO 14001:04 certification;
- Keystone Foods: first Distribution Center that is part of the largest fast-food chain in the world to be certified for the sustainable construction criteria of the Leadership in Energy and Environmental Design® (LEED);
- Beef Brazil: first meat company to obtain the integrated SGI certification in Brazil for four standards (ISO 14001, ISO 22000, ISO 18000 and SA 8000);
- Zenda Leather: all production plants are certified for ISO/TS 16949 standard, which establishes the requirements of the Quality Management System for automotive industry suppliers. Zenda supplies leather to key global car makers.

KEY STAR™

Key STAR™ is the Corporate Social Responsibility management program designed by Keystone Foods. The program determines integrated management, communication and leadership practices implemented by the operation based on four key drivers: sustainable growth, respect for the environment and for future generations, total commitment and seek for balance. These drivers reflect the positioning of Marfrig Group and are added to those for the business divisions in pursuing product and service quality and excellence.

ENERGY

GRI EN3

Direct and Indirect Energy Consumption

Marfrig Group invests, on an ongoing basis, in the process to modernize its production units, focusing on the use of advanced and energy-efficient technologies and equipment, and making the use of renewable energy a priority.

For years, units in Brazil have been attempting to use renewable energy for both electricity and fuel. Electricity produced by renewable sources represents 68.3% of total electricity used by the units, with emphasis on small hydropower plants, and own production with sugarcane bagasse or biogas. The remaining volume is acquired directly from the national interconnected system. In fuels for thermal energy production, the use of renewable sources is more expressive, and represents 98.6%, with an emphasis on sugarcane bagasse, rice husk and animal fat. Through this process, in 2010, Seara division produced 7.4 million gigajoules. Fossil energy is also included, accounting for 1.4% of total, with an emphasis on the use of natural gas, fuel oil and schist oil.

In Brazil, approximately 90% of all energy used derives from renewable sources. Breakdown of use shows concentration on fuels (72%).

The chart below shows the breakdown of Marfrig Group energy matrix use in Brazil.

TYPE OF ENERGY	Renewable	System/Fossil	Total
Electricity[1]	19,433	9,014	28,447
% Use	68.3%	31.7%	
Fuels[1]	71,738	1,038	72,776
% Use	98.6%	1.4%	

Fuel consumption breakdown for generation of energy and electricity by source in Brazil.
[1]TOE – Tons of Oil Equivalent.

*ENERGY CONSUMPTION**

Energy Consumption (GJ)

22,832,845

**Approximate consumption. Includes only the consumption of electricity for the Beef Brazil division, and does not include consumption resulting from renewable and non-renewable sources for generation of electricity*

Initiatives for Energy Efficiency

In Brazil, Marfrig Group has developed projects to use biomass from sugarcane bagasse and rice husk in addition to programs to replace fossil fuels with sebum and animal fat in its industrial operations. In Promissão II unit, state of São Paulo, Marfrig produces biogas from the biodigestion of cattle slaughter residue, which involves the burning of methane as fuel for the unit's boiler. This operation helps decrease the number of fossil fuel byproducts, and annually reduces the emissions by approximately six thousand tons of CO_2, with a reduction of around 30% of operating costs.

The Company has also developed in its operations in Uruguay a series of projects of energy efficiency, such as the cogeneration as of natural gas. The energy generated in this project is sold to the national network and the warm water is reused in production processes. In addition, some Uruguayan units have implemented an alternative solution to diminish the use of firewood in the generation of steam.

Regarding the international operations of the Group in the United Kingdom, Keystone has a program that recycles oil used for frying (a byproduct considered to be residue by the restaurants) to manufacture biodiesel that will be used in trucks and energy generators especially adapted for biofuel. It also uses methane biogas produced through the anaerobic digestion of sewage as fuel.

HIGHLIGHTS

Biodigestive System in Diamantino

The Biodigestive System was launched in March 2010 in the Seara Diamantino Unit (MT) as part of the projects of Marfrig Group focusing on the reduction of greenhouse gases. Conceived according to the requirements of the Clean Development Mechanism (CDM), under the Kyoto Protocol (UN), the system implemented in Seara is the largest and most modern one in Brazil.

The project seeks to treat and use the gases generated by pork farm sewage, resulting in use of energy and treatment of liquid effluents form industrial activities. The system is composed of two biodigestors, with six cells each, with treatment capacity of two thousand cubic meters per day

of sewage from 110 thousand pigs. Since project implementation, 16 thousand MWH/year have been generated, and in the same period 73 thousand tons of carbon dioxide have been prevented from entering into the atmosphere, corresponding to the preservation of 15 million native trees or 6,720 hectares of reforesting.

The project installed is capable of generating enough energy to supply the agro-industrial complex of Diamantino, in addition to generating excess energy which could supply a town with 8,500 inhabitants. The system also treats liquid effluents of the production process, purifying and reusing all the water that is consumed. After purified, 50% of the water is reused in the industry and 50% in the fertirrigation of crops.

Marfrig has also developed a project to reduce greenhouse gas emissions in France, in partnership with the French National Agronomy Research Institute (INRA). The project consists of mitigating enteric fermentation, identifying possible options to reduce carbon footprinting through alternative methods of animal feeding.

MANAGEMENT OF WATER RESOURCES

Water Consumption

GRI EN8

Water is a natural resource which is strategic to the Group. In the last few years, specific reduction goals in the consumption of water and its rational use have been implemented.

In 2010 the volume of water consumed by the Group totaled more than 85 thousand m³. The following chart contains the information per source.

TOTAL WATER DRAWN (m³)

Total Marfrig Group

85,730,694

Total water drawn.

WATER USED PER SOURCE

TYPE OF ENERGY	Renewable
Superficial water	19,719,126
Underground water	9,808,378
Concessionary water	55,770,686
Recycled water	432,504
Total	85,730,694

Total water drawn per source.

Treatment of Effluents

Improved Effluents Treatment Systems

Effluents treatment systems with high efficiency ratio of load removal or tertiary treatment enable the reuse of the water in the industry. For instance, in the Frederico Westphalen plant, in the countryside of Rio Grande do Sul, the effluent usage ratio is close to 70%, or 26,250 m³ of recirculated water. In Nuporanga, a plant located in the countryside of the state of São Paulo, figures reach 25% with 9,660 m³ of recirculated water.

In its operations in Uruguay, Marfrig Group has developed an engineering project to improve leather tanning so as to reduce water and chemicals consumption, as well as generation of effluents. Due to the success of the initiative, the unit expects to extend the project to the entire tanning process.

The Group also uses in some of its international operations a cutting edge technology in the treatment of effluents. Developed by Keystone Foods, the project named Wetlands uses equipment that enables a discharge of the water treatment system to increase its hydraulic capacity and improve the quality of the water being discharged into the recipient flow, offering significant benefits to the environment and savings of financial resources.

Management and Disposal of Residue

GRI EN22 (partially met)

Marfrig Group focuses its efforts to improve the management and responsible disposal of residue so as to reduce as much as possible the impact of its return to the environment, in line with the new solid residue policy (Law 1,2350/10), in which the Group participates of discussions at the national level. In order to do so, some programs have been developed in Brazilian and international operations. The chart below presents the approximate total residue produced by the Company in 2010.

*TOTAL WEIGHT OF RESIDUE (TON)**

Marfrig Group

405,963,96

**Figures account for materials measured in tons and do not include Keystone Foods data.*

RECYCLING PROGRAM

Marfrig Group has recycling programs in almost all its units. In Brazil some units have deployed recycling programs involving materials from the production areas and administrative offices. Since implementation, there has been a significant reduction in use of landfills, totaling approximately 3,000 tons of residues per month, which are now sent for recycling at local companies, generating revenues of around R$1,000,000.

In Argentina, there is a program to separate paper residue generated mainly in the offices. This paper is then donated to the Dr. Garrahan Pediatric Hospital for raising funds for assistance, teaching and research. The people of the community are also involved in the process and stimulated to contribute in a collection unit. Since 2002, when the project began, 55 tons of paper have been donated. Simultaneously, the recycling of cardboard has prevented 1.36 tons of cardboard from getting to landfills; this is equivalent to the preservation of 23 thousand trees. In the same operation, organic residue is also reused, enabling the delivery of 1.2 tons of residue for use in the production of bricks by local manufacturers.

Seara has implemented in its Nuporanga unit a pilot-project where bricks used in walls at aviaries are replaced with recycled materials, such as UHT milk boxes, in an environment with controlled lighting.

Marfrig Group also highlights the system of treatment of residue from cattle ingestion reused in the improvement of soil in Uruguayan operations. The product resulting from biodegradation of cattle ingestion is used in agriculture, being donated to local producers to be used on the soil, improving the offer of nitrogen fiber and phosphorus, strengthening synergy with the producers. The technical solution eliminates the need for primary treatment of solid organic cattle residue.

SUSTAINABLE AGRICULTURE AND CATTLE RAISING

Animal wellbeing

Marfrig Group has deployed animal wellbeing programs which seek to ensure the safety and humanitarian treatment of the animals, trough internal regulations and procedures which are audited on a regular basis. Marfrig has a department exclusively devoted to managing wellbeing practices right from the moment the animals enter the properties managed by the Group. In addition, Marfrig has invested in modern technology to adjust its facilities and corrals, install new stunning boxes with anti-slip flooring and new forms of handling and logistics. The stunning boxes currently used, in addition to being more modern, allow containment of animals without causing any stress.

The Group offers to its integrated produces and partners courses held by professionals from various areas, such as nutrition, animal handling and wellbeing, so as to provide new tools and knowledge to maximize production in a sustainable manner. Marfrig also uses transportation equipment with temperature control enabling increase in the number of live poultry during extreme climatic situations. The steps in animal care naturally include education and awareness of the raiser. For this purpose, the Company prepares best animal handling and transport practices to be distributed to its suppliers. The Beef Brazil Division, for instance, has developed Handling Manual in comic format which is handed in to all suppliers.

The Handling Manual is an initiative which narrows the relationship between producers and Marfrig Group. In direct and simple language, the Company is able to reach this public by acting as a partner. The Manual is distributed in 27 supply units throughout in the Country. It is a way to ensure mutual benefits and healthy conditions for the animals. In Brazil, Marfrig has also helped develop the Transportation Manual, with the support of Editora da Fundação da Universidade Estadual Paulista, Funep. The publication contains a technical study and establishes the best practices for cattle and lamb transportation, describing the conduct to be taken in case of accidents, mechanical trouble in vehicles, among others. The project was also supported by NGO WSPA (World Society for the Protection of Animals), which has developed with the help of Marfrig's technical team a shooting project which resulted in a DVD containing best handling practices to be presented in training sessions to federal inspectors throughout Brazil.

In our international activities, these practices are reproduced through specific internal committees, as well as programs that enable independent auditors in institutions specializing in this subject to prepare outside professionals to carry out audits on animal wellbeing in the Group's facilities. Over the last years Seara has been improving its production system, from breeding stock and beef cattle farms, incubation units, animal feed plants, to transport and slaughterhouses, seeking to increase the parameters and conditions of animal

Seara's Freedom Rules for Animal Wellbeing are represented by Wellbeing principles practiced by the Group:

1. Freedom from hunger and thirst
2. Freedom from discomfort
3. Freedom from pain, injustice and disease
4. Freedom to express free animal behavior
5. Freedom from fear and stress

wellbeing. The constant training of all the people involved in the production process, as well as external advisories and records, among others, seek excellence in poultry and pork breeding, abiding by the "five freedom rules for animal wellbeing" as follows.

"Gado Legal" Program

This is an innovative initiative by Marfrig Group, which developed an exclusive tool to trace the origin of the cattle purchased. It ensures to clients and consumers that all cattle used for production come from farms showing no deforestation areas and which are not in Ibama's list of non-approved suppliers. The program also seeks to ensure compliance with labor laws and decent labor practices, not allowing any of its farms to be blacklisted by the Ministry of Labor. The purchase and receipt processes involved in this project are audited by BDO Trevisan, ensuring greater reliability.

Seara, Bassi, Montana and Palatare are brands already included in the project. Therefore, consumers who buy these products can be sure of their legal origin and social and environmental responsibility. To check how such products are tracked, go to www.marfrig.com.br/rastreabilidade/origem-gado.asp and insert in the code fields the Federal Inspection Service (SIF) and the date of production registered on the package.

Angus Development Program

The Angus development program narrows the relationship with producers offering a technical partnership which involves financial advances, use of cutting edge technology and hired technical assistance to promote standardized and certified production of quality beef.

Marfrig Group fosters the use of evaluated sires, with proof of DNA related to soft beef and certified by the Brazilian Angus Association (ABA), through conventional or fixed time artificial insemination (IATF). The entire process of insemination, pregnancy diagnosis, birth of calves and separation of lots is assisted by technicians specialized and registered with Marfrig Angus Development Program. Therefore the Group believes that in addition to facilitate technology for the cattle raiser, it offers new opportunities to partnering vets.

Accordingly, the Group regulates the supply of standardized carcasses and high value-added cuts, adding profitability to the cattle raiser and offering high quality products to the producer. The slaughter process is also certified by ABA and the beef is sold through the Seara Angus line.

Lamb Development Program

Programa Fomento Ovinos
MARFRIG

The lamb development program offers a technical partnership that involves the genetic selection used in mating, through the indication of best mates, nutritional and sanitary guidance, rational handling, and evaluation of the flock and even termination of the lambs in modern confining facilities so as to produce standardized and certified lamb.

For genetic selection, the Company has a multiplication of "Highlander" and "Primera" genotypes, with the use of techniques to identify and evaluate the most productive animals, with DNA and DEP (Expected Di The selection of Primera animals is directed towards accelerated weight gain and high beef output; for Highlander animals, selection is directed towards the production of prolific females with good mothering abilities, ensuring more profitability for the ovine raiser.

The purchase of animals under the Lamb Development Program is ensured by the Company.

In addition to the commitment with producers and high quality in the industrial process, Marfrig Group has broad experience and presence in the national distribution of leading brands for the best supermarkets, restaurants and steak houses.

SEARA
CORDEIRO

Bassi
gourmet

Marfrig Club

Marfrig Club is a program which recognizes and rewards conscientious producers, guiding them towards reaching the most modern certifications of ownership focused on production of food and awarding animals from farms with best practices in animal raising and management.

The Program is based on three principles defined as: Respect for the animals, environment and society. In other words, Marfrig seeks to narrow its relationships with the cattle raiser offering information and awareness on subjects related to the production of legal, safe and sustainable beef. A code of practices is available for each pillar. For instance, ANIMAL RESPECT involves wellbeing, traceability and origin and age guarantee. SOCIAL RESPECT takes into account labor laws, housing, education and incentives; and ENVIRONMENTAL RESPECT includes vegetation, soil, water and residue. In addition, the property may not be listed as an area under embargo by Ibama and in the child and slave labor Black Lists.

Based on this information, the property is audited before receiving an international certificate of compliance. In addition to certification of the property, Marfrig Club also offers the opportunity for cattle raisers to be part of the other partnerships of the Group, such as the Development Program and Nelore Natural.

Complementing its social and environmental actions, Marfrig, in partnership with Alianza del Pastizal – name given to the initiative to conserve native fields in the "Pampa" region in Argentina, Paraguay and Uruguay -– holds the Sustainable Cattle Raising Program, which seeks conservation of the fields through preservation of native vegetation and special care for the animals living in these regions. It is a project which spreads the concepts of profitable and sustainable cattle raising, monitoring of deforestation and appreciation of environmental conservation.

Social and Environmental Monitoring System in the Amazon Biome

The Social and Environmental Monitoring System in the Amazon Biome was implemented so as to monitor, via satellite, the chain of cattle suppliers located within the Amazon Biome. This is a pioneering initiative developed by Marfrig which sustains other commitments taken on by the Group to fight deforestation, invasion of indigenous lands, slave work and predatory cattle raising in the region.

The project conducted by the Beef Brazil division consists of a geospatial monitoring through geographical coordinates informed by 100% of suppliers of beef registered in Marfrig Group database. The system then crosschecks this data with official information, excluding irregular producers.

THROUGH THE SYSTEM, MARFRIG MONITORS:

100%

- Its suppliers, for Areas under embargo by Ibama;
- Its suppliers, for Conflict in indigenous lands;
- Its suppliers for Slave Work;
- Origin of animals, for Preservation Units;
- Origin of animals, for Illegal Deforestation.

The system was implemented in July 2010 and, ever since, the Group has suspended the supply of cattle from 170 cattle raising farms not operating in compliance with the regulations, and located at least 1km away of new areas of deforestation, within Preservation Units and Indigenous Reserves.

In addition to the Monitoring System, Marfrig develops another important initiative for the promotion of good environmental practices together with the suppliers within Amazônia Legal: the support to the cattle raiser towards obtaining the CAR (Rural Environmental Registration) or the LAU (Sole Environmental License) in Mato Grosso and LAPR (Environmental Licensing in Rural Properties) in Rondônia.

Guarantee of Origin

The Social and Environmental Monitoring System in the Amazon Biome allowed Marfrig to extend its results to the final consumer, which may check the guarantee of the origin of the beef produced by the Group. As a signatory to the Sustainability Pact, an initiative of Walmart Brasil which establishes commitments with its suppliers regarding the sustainable development of the Amazon region, reduction in packaging and development of sustainable production chains, Marfrig has developed an unprecedented partnership to trace the origin of beef. This means that the supermarket will receive machines that will be able to identify and show the origin of the product when the consumer approaches the bar code reader.

Other Marfrig Group Commitments to Preserving the Amazon Biome

- Signatory to the public commitment "Criteria for Industrial-Level Operations with Cattle and Beef Products in the Amazon Biome", in partnership with Greenpeace. The program includes registering farms, monitoring indigenous forest and excluding suppliers involved in deforestation activities, invasion of indigenous lands and preservation units (UP), slave work, land documentation forgery and violence in the countryside.
- Signatory to the Sustainable Connection Business Pact, for sustainable financing, production, use, distribution, sale and consumption of beef products from Amazon and intended for the city of São Paulo (SP).

Organic Production Programs

Marfrig Group is also focused on partnerships and integration with cattle farm raisers committed to rationally using renewable resources, preserving the soil and water, as well as animal wellbeing. This results in ecofriendly food, in which no synthetic anabolic fertilizers, hormones and growth stimulants are used. Animals bred in open air and wide areas, from a shepherding background, ensure less intramuscular fat, less cholesterol and, as a result, lighter and healthier meat.

In Uruguay, Marfrig develops the Eco-Meat program, which uses controls and certifications to ensure that highly demanding international standards are met during all production stages, from growth to processing. In Europe, O'Kane Poultry stands out for selling chicken and chicken by-products organically cultivated across the UK and Ireland.

GHG EMISSION CONTROL

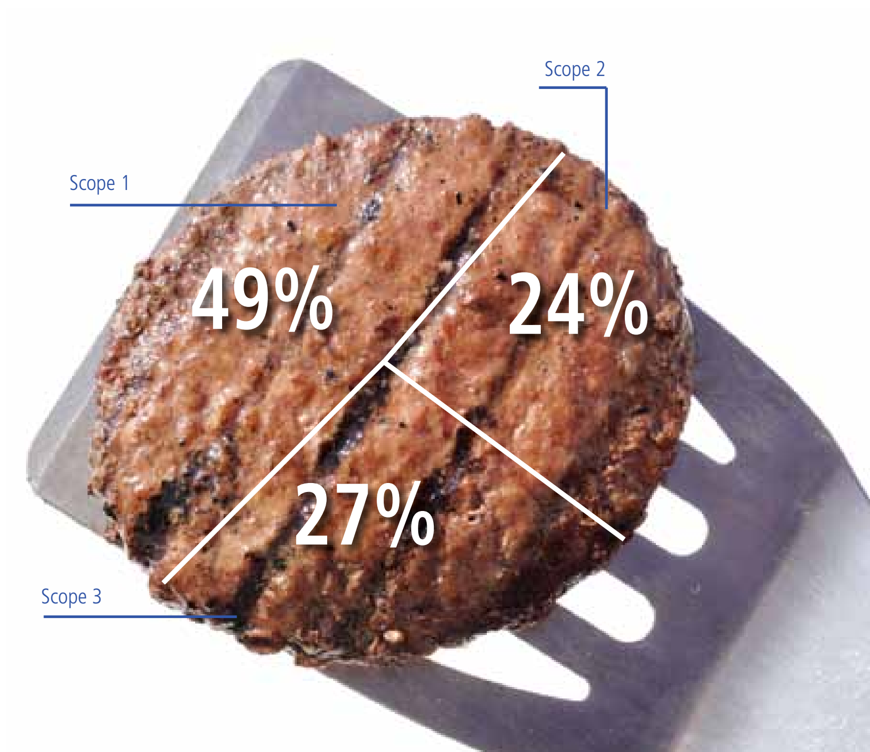
Initiatives

In an attempt to make its involvement related to climate change more transparent, Marfrig participates in the CDP (Carbon Disclosure Project) questionnaire, which is currently considered to be the main global initiative regarding climate changes and construction of a low carbon economy. Marfrig is also one of the 77 companies to take part in the Brazilian GHG Protocol program, with emissions in the Public Emission Register, in addition to being listed in the Efficient Carbon Index (ICO$_2$). This indicator is composed of the shares of companies joining the IBrX-50 index who accepted to take part in this initiative by adopting transparent practices with respect to their greenhouse effect emission (GHG) and considers, in order to assess the shares of participating companies, their GHG efficiency level, in addition to free float (total outstanding shares) of each of them. Furthermore, in order to identify the "forest footprint" related to the presence of commodities from deforestation areas in its production chain, the Company participates in the FFD (Forest Footprint Disclosure) questionnaire.

GE Emission Inventory Marfrig Group 2010

The Group's first emission inventory was carried out in 2010, based on the global methodologies of GHG Protocol, IPCC (Guidelines for National GHG Inventories, 2006), and NBR ISO 14064 Standards. The GHG emission inventory consolidates the emission balance generated by activities over which Marfrig Group had operating control as of 2010.

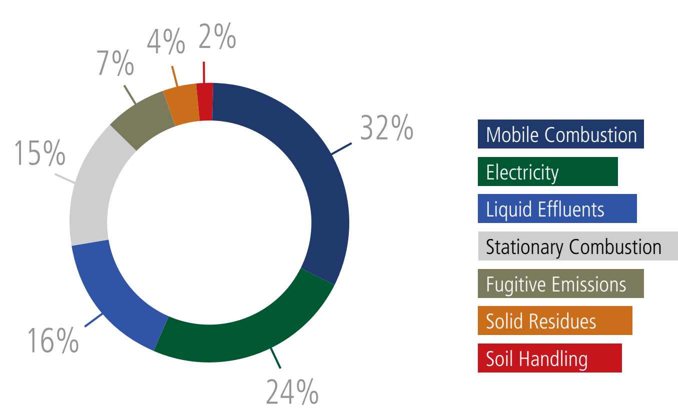
EMISSIONS CONSIDERED BY SCOPE



Scope 1: Direct emissions.
Scope 2: Indirect emissions by energy import.
Scope 3: Other emissions.

CATEGORIES OF EMISSIONS CONSIDERED (SCOPE 1, 2, 3)

Marfrig Group 2010



Total Group Emissions measured within the three scopes covered by the inventory (direct emissions, indirect emissions by energy import and other indirect emissions) totaled 2,850,397 tCO_2e. Emissions Considered, which represent Total Emissions less Neutral Emissions, totaled 1,840,935 tCO_2e. Neutral Emissions, in turn, accounted for 35% of the total assessed emissions in 2010, totaling 1,009,462 tCO_2e. This is a representative figure in terms of Marfrig's investment and use of renewable resources, given that such index is the result of the adoption of energy renewable sources, such as the use of boilers working on biomass.

ENVIRONMENTAL RISK MANAGEMENT

By including social and environmental criteria as part of its performance strategy, Marfrig has been managing its suppliers more strictly, terminating contracts with those in irregular situations, whether for deforestation-related matters, or involvement with slave work.

It is worth pointing out that, with its performance in the food industry, Marfrig Group is exposed to the indirect risk of encouraging deforestation, given the need to supply products arising from natural resources. Therefore, Marfrig's position is increasingly stricter in relation to controlling suppliers and other parties involved in the chain, by maintaining constant monitoring and terminating contracts should irregularities be detected.

EDUCATION AND AWARENESS PROGRAMS

Marfrig Group is engaged in society education and awareness projects regarding the importance of environmental preservation. Projects developed attempt to cover not only its internal stakeholders, but also suppliers, clients, consumers and the community where the Company operates.

In Uruguay, for example, an organic garden has been cultivated with community school kids. They go through a learning process oriented to generate working habits, which promotes education of values and awareness of the environment. Fruits and vegetables cultivated are used for consumption in the school's canteen.

Seara's Environmental Education Center

Seara's Environmental Education Center is located in a farm in the city of Vargem Bonita, state of Santa Catarina. Running since 2004, the project was established for the purpose of encouraging reflection with respect to possible solutions to balance economic activity growth without losses to environmental preservation.

Based on alliances made with local universities, theoretical and practical classes are held addressing the environment, and involving awareness and biodiversity aspects. Activities range from workshops in schools to scientific work.

The project also attempts to bring the environment theme to the Company's employees, as well as raise their awareness on the matter, thus contributing to expanding knowledge of preservation and degradation actions, with their causes, consequences and possible solutions.

The Center offers a rich flora and fauna diversity, housing 17 species which are part of the list of threatened species. It occupies a 1,550-hectare area, of which 1,270 ha were reserved for indigenous forest preservation and 280 ha for eucalyptus reforestation.

Seara's Reforestation Program

Considered a corporate model, Seara's Reforestation Program consists of cultivating seedlings (eucalyptus), whether in own areas or in partnership with farmers, in order to generate sustainable biomass. The program has three modalities: Forest Development, Forest Partnership and Own Areas. Today, all firewood consumed by Seara stems from legally planted or managed forests.

17 species

Marfrig maintains an Environmental Education Center which preserves threatened fauna and adopts strong social-environmental criteria as its management strategy

The Forest Development program was created in 1994 and involves an alliance with 594 small farmers and medium-sized farm owners in the states of Santa Catarina, Rio Grande do Sul, São Paulo and Mato Grosso do Sul, in order to create forests as an alternative to feasible income generation. Seara provides free origin-certified eucalyptus seedlings, specialized technical support for soil preparation to harvest and a guarantee to purchase at least 80% of production at market price at harvest time. In exchange, farm producers provide available area for at least three ha plantation, workforce and plantation inputs.

For the producer, benefits involve generating an alternative income source for their property, spreading agricultural and cattle related activities, generating safe income and using idle or degraded areas. In addition, reforestation has lower risks of going unsuccessful due to external factors than agriculture and cattle raising.

The Forest Partnership project works as a kind of leasing. Created in 2008, the partner provides land for plantation and Seara makes all the investment (seedlings, inputs and services) required for forest implementation.

For the Forest Partnership project, no measurable savings exist since firewood is purchased from the corresponding partner at market price and the objective is to ensure firewood supply for boilers and increase partners' income.

OUTLOOK

- *Turning Marfrig Group into a reference in Business Sustainability in the industry;*
- *Extend the Integrated Management System certifications to other Group units;*
- *Internally preparing to set future goals on reducing energy and water consumption, waste production and GHG emission;*
- *Expanding and strengthening environmental performance measurement indicators.*

GRI Index

GRI 3.12

Marfrig declares that this is a C level report, and that it meets all profile indicators required for this level.
It fully complies with 12 performance indicators and partially complies with 7 (EN22, LA6, HR1, HR2, SO1, SO2, SO3).

Standard Disclosures – Report Application Level	C	C+	B	B+	A	A+
Profile Disclosures (OUTPUT)	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4 , 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
Disclosures on Management Approach (OUTPUT)	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
Performance Indicators & Sector Supplement Performance Indicators (OUTPUT)	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

* Sector supplement in final version

1. STRATEGY AND ANALYSIS		Pages RA	Global Pact
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	2	

2. ORGANIZATIONAL PROFILE		Pages RA	Global Pact
2.1	Name of the organization.	5	
2.2	Primary brands, products, and/or services.	5	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	5	
2.4	Location of organization’s headquarters.	5	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	5	
2.6	Nature of ownership and legal form.	5	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	5	

2.8	Scale of the reporting organization.	5	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	5	
2.10	Awards received in the reporting period.	23	

3. REPORT PARAMETERS		**Pages RA**	**Global Pact**
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Back cover	
3.2	Date of most recent previous report (if any).	Back cover	
3.3	Reporting cycle (annual, biennial, etc.)	Back cover	
3.4	Contact point for questions regarding the report or its contents.	Back cover and 180	
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	Back cover	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).See GRI Boundary Protocol for further guidance.	Back cover	
3.7	State any specific limitations on the scope or boundary of the report.	Back cover	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Back cover	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, natureof business, measurement methods).	Back cover	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Back cover	
3.12	Table identifying the location of the Standard Disclosures in the report.	66	

4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT		**Pages RA**	**Global Pact**
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	15	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	15	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	15	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	15	
4.14	List of stakeholder groups engaged by the organization.	39	
4.15	Basis for identification and selection of stakeholders with whom to engage.	39	

ECONOMIC PERFORMANCE INDICATORS

Aspect: Economic Performance			Pages RA	Global Pact
CORE	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	25	

ENVIRONMENTAL PERFORMANCE INDICATORS

Aspect: Energy			Pages RA	Global Pact
CORE	EN3	Direct energy consumption by primary energy source.	53	
Aspecto: Água			**Pages RA**	**Global Pact**
CORE	EN8	Total water withdrawal by source.	55	
Aspect: Biodiversity			**Pages RA**	**Global Pact**
ADD	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	51, 52	8
Aspect: Emissions, Effluents, and Waste			**Pages RA**	**Global Pact**
CORE	EN22	Total weight of waste by type and disposal method.	56	8

LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS

Aspect: Employment			Pages RA	Global Pact
CORE	LA1	Total workforce by employment type, employment contract, and region.	39	
CORE	LA2	Total number and rate of employee turnover by age group, gender, and region.	39	6
Aspect: Labor/Management Relations			**Pages RA**	**Global Pact**
CORE	LA4	Percentage of employees covered by collective bargaining agreements.	42	3
Aspect: Occupational Health and Safety			**Pages RA**	**Global Pact**
ADD	LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	41	
ADD	LA9	Health and safety topics covered in formal agreements with trade unions.	41	
Aspect: Training and Education			**Pages RA**	**Global Pact**
ADD	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	42	

HUMAN RIGHTS PERFORMANCE INDICATORS

Aspect: Investment and Procurement Practices			Pages RA	Global Pact
CORE	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	42	1
CORE	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	42, 46	1
Aspect: Freedom of Ass Ociation and Collective Bargaining Core			**Pages RA**	**Global Pact**
CORE	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	42	3

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