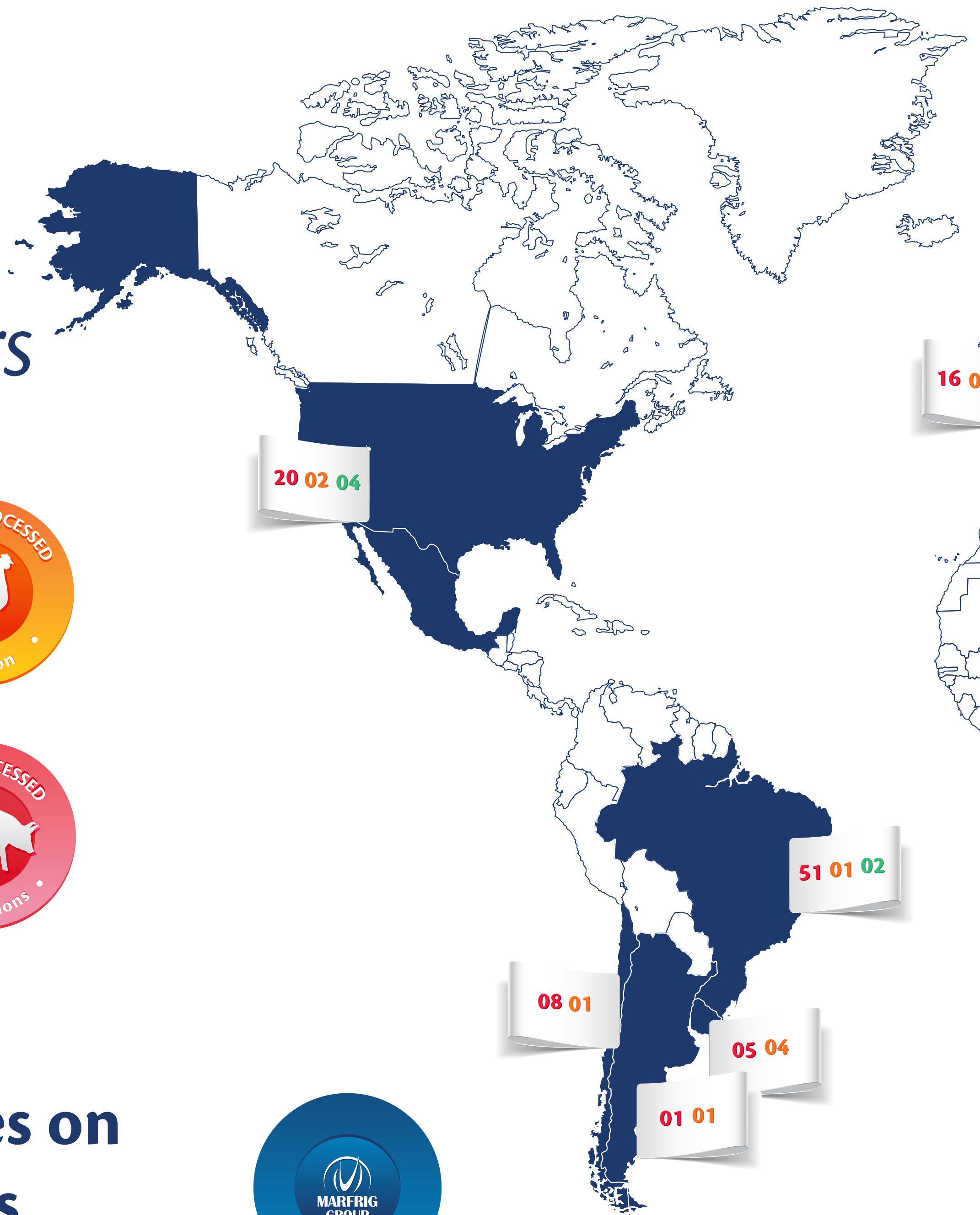
MARFRIG GROUP

2011 Annual Report

2011: Marfrig in Numbers

GRI 2.3 | 2.5 | 2.7 | 2.8



Presence in

22 countries on 5 continents

Strong brands recognized in more than

160 countries

More than

85,000

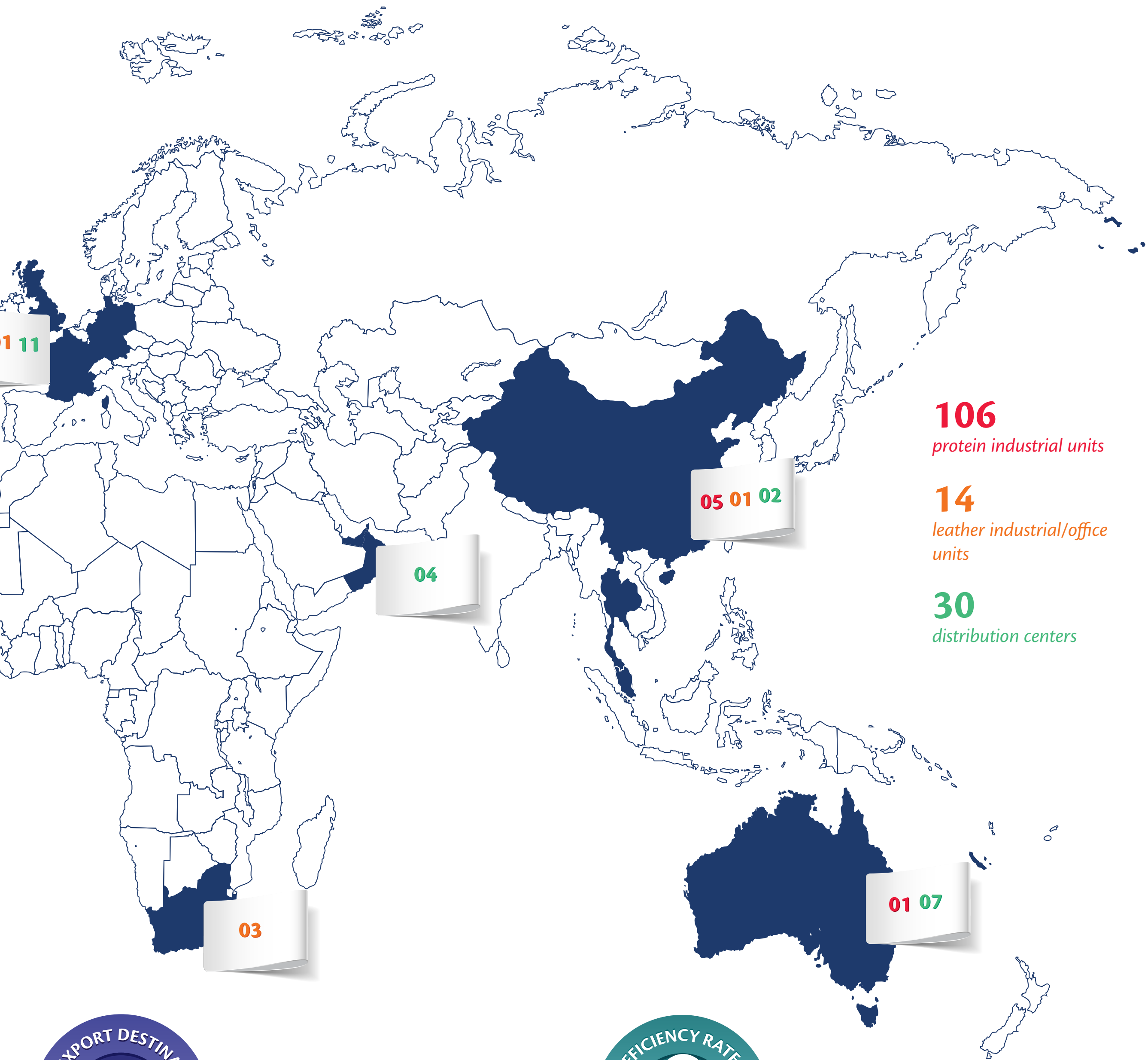
direct employees

R$**21.88**
billion in net operating revenue

R$**1.77**
billion in consolidated EBITDA

R$**3.14**
billion in gross income, with gross margin of
14.4%

EBITDA margin
8.1%



106
protein industrial units

14
leather industrial/office units

30
distribution centers

MAIN EXPORT DESTINATIONS

Europe
40.6%

Russia
8.9%

Asia
19.3%

Central and South America
7.6%

Middle East
16.7%

Other
6.9%

EFFICIENCY RATE
per ton produced

9.77 *m^3 of water consumed*

21.36 *kg of waste deposited in landfills*

2.42 *kg of Chemical Oxygen Demand (COD) in effluents discharged*

3.94 *GJ of energy consumed*

0.245 *t of carbon equivalent under scopes 1 and 2*

Marfrig Group

GRI 2.3 | 2.5 | 2.7 | 2.8

Marfrig Alimentos S.A. is one of the world's largest food companies and operates in the retail and food service industries. Its activities include the development, production, preparation, processing, marketing and distribution of food products made from animal proteins (beef, pork, lamb and poultry), ready-to-eat meals, pastas, pizzas, desserts and frozen vegetables, as well as the processing and marketing of leathers. With an extensive portfolio of products and brands that enjoy high recall in Brazil and abroad, the Marfrig Group is present in the world's leading restaurant and supermarket chains and in the homes of consumers in more than 160 countries on five continents. **GRI 2.1 | 2.6**

Headquartered in the city of São Paulo, the Marfrig Group operates through 150 production units, distribution centers and sales offices distributed in 22 countries. It has monthly production capacity of over 120,000 tonnes of processed food and high-value products and has some 85,000 direct employees. It exports products to more than 160 nations in Europe, the Middle East, Asia, Africa, Oceania and the Americas. **GRI 2.4**

In 2011, the Group began to adopt a new operational structure, dividing its operations into two major segments: Marfrig Beef, which consolidates its beef, lamb and leather operations, and Seara Foods, which is responsible for the poultry, pork and processed and high-value product operations. This new composition enables the Group to capture greater synergies among the divisions, to obtain higher efficiency gains in its operations and to optimize its productive, sales and logistics assets.

Marfrig ALimentos S.A.

Seara Foods	*Marfrig Beef*
SEARA	Brazil
Moy park	Argentina
KEYSTONE FOODS	Uruguay

The Industry in Numbers*

6.6%
of Brazil's GDP comes from the food industry

Exports projected to grow
87.2%
by 2022

R$3.93 BILLION
contributed to Brazil's trade surplus, which reached nearly R$30 billion in 2011

Exports in 2012 expected to grow
11%
driven by the opening and recovery of markets in Asia and Africa

By
2015
Brazil will become the world's largest beef exporter

Over the next 18 years, world annual per-capita animal protein consumption should jump from 43.3 kg to
54.6 kg
per person/year

Growth of
13%
in domestic meat consumption by 2022

* In May 2012, the newspaper *Valor Econômico* published a comprehensive study of the Food industry. The data, forecasts and complete study can be accessed at http://www.valor.com.br/especiais.

About this Report GRI 3.5 | 3.9

Over the course of this report, you will learn about the food habits of certain countries in which the Marfrig Group is present

The 2011 Annual Report of Marfrig was prepared for the second year in a row in accordance with the guidelines of the Global Reporting Initiative (GRI), version G3, and meets Application Level B as verified by the GRI. **GRI 3.2 | 3.3**

This report covers the period from January 1 to December 31, 2011 of the operations of all subsidiaries of the Group in the 22 countries in which it operated during the period cited, except where stated otherwise. To facilitate understanding and enable data comparisons, the economic-financial, social and environmental information is presented on a consolidated basis and by operating segment. Marfrig informs that no significant changes from previous reporting periods have been made in the scope, boundary or measurement methods adopted. **GRI 3.1 | 3.6 | 3.7 | 3.8 | 3.11**

Integrating Marfrig's operations into two business segments enabled the Group to compile additional detailed operational data on energy and water consumption, emissions generation and other indicators. As such, progress was achieved on the collection, storage and monitoring of social and environmental data, which also enabled the better understanding, management and communication of this information. In this report, such data have not been audited by external entities. **GRI 3.10 | 3.13**

As in the previous report, the economic and financial data were prepared in accordance with International Financial Reporting Standards (IFRS) and were audited by KPMG Auditores Independentes. **GRI 3.13**

The selection of the themes covered in this publication took into consideration the information of particular interest to the Corporation, stakeholders and the general market. The matters covered include the profile of the Marfrig Group and its corporate governance guidelines, operating results, business strategy, financial performance, environmental preservation actions and social initiatives.

The preparation of this report, from planning to printing, was carbon neutral. Marfrig's Investor Relations Department was responsible for preparing this publication and for providing a transparent account to all of its stakeholders.

For more information, please go to www.marfrig.com.br/ri or contact the IR Department: +55 (11) 3792-8650 | ri@marfrig.com.br. **GRI 3.4**

Interview with the CEO GRI 1.1

In 2011, Marfrig consolidated its position as a global food company focused on the generation of results and the sustainability of its business. Learn more about this development strategy and the Corporation's next steps in this interview with Marcos Antonio Molina dos Santos, CEO & Chairman of the Marfrig Group.

How do you evaluate the year 2011 for Marfrig?

Marcos Molina *This year was dedicated to consolidating our strategy of building a global platform for the production of food products that are high-quality, safe, easy to prepare, environmentally and socially correct and that consequently offer high added value. The year was also marked by many challenges, especially given the turbulent external environment posed by the Europe's sovereign debt crisis, the slow recovery of the U.S. economy, the natural disasters in Asia, the high prices of key production inputs and the high foreign exchange volatility. However, despite the many challenges, the strategy adopted to diversify across geographic regions and animal proteins and the focus on high-value products allowed Marfrig to decisively advance the execution of its long-term strategy, which has resulted in a global food company that is results-oriented and focused on the sustainability of our business.*

How did you solidify this strategy?

Marcos Molina *Marfrig acquired a series of companies in recent years, which created the need to reorganize the structure of its operations, with a focus on the two main business segments. Therefore, in order to reduce complexity and capture synergy gains across the divisions, we implemented a restructuring project to improve the management of the business and increase operational performance. We designed the project in partnership with the consulting firm Bain & Company and worked on implementing it over the entire course of 2011. As a result, Marfrig Beef now consolidates all of the operations in the beef and leather segment, while Seara Foods is now responsible for the operations based on poultry and pork proteins and on high-value products, consolidating Seara Brasil, Moy Park and Keystone Foods. So we have continued to implement our strategy and are continually increasing the share of high-value products in our sales mix.*

Another highlight of the integration was that it helped strengthen and disseminate the culture of the Marfrig Group throughout organization, while respecting the identity of each segment and country where we operate.

How has this reflected on the Group's performance?

Marcos Molina *Under this strategy Marfrig has already obtained significant results in 2011. However, these results are only partial and do not yet reflect all of the potential gains. Our consolidated revenue in the year was R$21.88 billion, growing by 37.8% from 2010. The decision to focus on high-value products has already begun to show in the contribution of these products to the Corporation's total revenue, which reached 37.4% in the year, up from 28.0% in 2010.*

In 2012, after integrating the assets coming from BRF, we expect the share of processed and high-value products to move even higher to account for approximately 50% of the Corporation's total sales.

How does corporate governance figure in the Corporation's strategy?

Marcos Molina *Corporate governance is the foundation of the process to integrate all of Marfrig's areas and of our strategy for sustainable growth. Marfrig stock (symbol: MRFG3) is listed on the Novo Mercado segment of the BM&FBOVESPA, which has the highest levels of corporate governance on Brazil's stock exchange and mandates strict rules protecting shareholder rights. So to comply with all of the requirements of the Novo Mercado Regulations, we revised our bylaws, which requires, by 2014, to separate the roles of the CEO and the Chairman of the Board.*

In 2011, we were very proud of the recognition received for our good corporate governance practices, with the award of the 2011 Transparency Trophy by the Brazilian Association of Financial, Administration and Accounting Executives (Anefac), the Foundation Institute of Accounting, Actuarial and Financial Research (Fipecafi) and Serasa Experian. This marked the first time that the trophy was awarded to a food company. .

How was the issue of sustainability addressed in Marfrig's planning over the course of the year?

Marcos Molina *The Marfrig Group maintains its commitment to balancing the economic, social and environmental aspects of its business, while contributing to the development of society, protecting the planet and maximizing returns for its shareholders. As such, the issue of sustainability was aligned on six strategic dimensions that apply to all of the Corporation's businesses. To build these strategies, our executives participated in various international events with Marfrig's stakeholders and in workshops centered on the theme of sustainability in order to better comprehend the positions of all parties and reach consensus on the ideal points for defining the six dimensions (Social, Supply Chain, Environmental, Technological, Economic and Product).*

Is this sustainability strategy developed into concrete actions? What were Marfrig's social and environmental highlights in the year?

Marcos Molina *Marfrig is recognized for its sustainability strategy (which is based on balancing the Corporation's economic, social and environmental aspects) and became a pioneer in the food industry by proactively moving to contribute to the development of society and to protecting the planet, while ensuring returns for shareholders.*
The Marfrig Sustainability Institute spearheads the social initiatives developed to benefit the communities surrounding the Group's operations. A highlight in 2011 was the implementation of the Institute's first project, Fazer e Ser Feliz, which benefitted children in Promissão, São Paulo by offering recreational and educational activities that complemented their regular school activities.

On the environmental front, we work to continually monitor the impacts of our activities on the environment, seeking technological alternatives to reuse, recycle and reduce the use of natural resources, meeting our own needs without, however, compromising future generations. In 2011, we mapped the greenhouse gas (GHG) emissions of our entire production base worldwide, which enabled us to compile the Group's second global emissions report. Many other concrete and important initiatives are being successfully implemented throughout our entire production chain through joint efforts with our clients, suppliers, NGOs, universities. However to comment on all of them with the time and details they deserve requires a specific form. To learn more about these initiatives go to our site dedicated to the theme of sustainability at www.marfrig.com.br/sustentabilidade.

What are the objectives of the Marfrig Group for the coming years?

Marcos Molina *We are confident that we continue to follow the right path towards achieving our goal of building a food company that is a benchmark in sustainability and in creating value for our production chains and our shareholders. We continue to show our sustainable evolution, both quantitatively and qualitatively, in all of the countries where we operate. As for our business, we are certain that Marfrig will continue to strengthen the Seara brand, further increase the share of high-value products and capture synergies in the integration process, while pursuing ever higher fiscal austerity.*

The Flavors of Brazil

Brazil has a wide variety of regions, each of which has its own culinary traditions, such as acarajé, the extravagantly garnished fried bean cakes from the state of Bahia, or the famous charcoal-grilled beef from the country's South. The daily meal often features the legendary combination of beans, rice, beef and salad. But the country's national and universal passion is feijoada, a delicious stew made from black beans slowly simmered with a rich variety of pork cuts.

A Global Food Company

GRI 2.2 | 2.3 | 2.5 | 2.7 | 2.9

The Group's new operational structure allowed the Company to obtain better operational efficiency and offer more quality to its consumers

In 2011, Marfrig consolidated its position as a global food company with a focus on generating results and on the sustainability of its business. It was a year of preparation at all of the Group's units, which included the operational restructuring of the Corporation's units under the segments Marfrig Beef and Seara Foods and a strong focus on the core business, on operating efficiency and on capturing synergies. The new structure has allowed the Group to obtain important operational gains and efficiency improvements and contributed to the development of a portfolio of products with high added value and brands that maintain close relationships with consumers.

All these accomplishments would not have been possible without the dedication and commitment of Marfrig's 85,000 employees. Human capital is one of the Corporation's main intangible assets and represents a priority that differentiates the Corporation in the market and ensures that clients receive superior quality products.

For 2012, Marfrig's efforts are concentrated on strengthening the Seara brand in Brazil's domestic market, most notably by integrating the new units and brands resulting from the asset exchange agreement signed with BRF in December 2011. The consolidation of these new assets over the course of the year will boost sales of high-value products, which in turn will expand Seara's market share in Brazil.

Marfrig will also continue to focus on the Chinese market, which it believes will be a major driver of global demand for animal proteins over the coming years. The Group will increase its presence in this market through Keystone Foods, a company in the Seara Foods segment, and will explore the growth opportunities offered by serving major global quick service restaurant chains.

Operating Segments

Marfrig Beef

In 2011, Marfrig unified the organizational structure of the beef operations in Brazil, Argentina, Uruguay and Chile under the Marfrig Beef segment. The integration resulted in the creation of a new company that is capable of enhancing the competitive advantages of each one of the integrated operations under the principle of "simple, lean and agile."

Due to fluctuations in domestic and international demand and in the supply of cattle, Marfrig Beef implemented a series of operating adjustments over the course of the year aimed at optimizing its structure, reducing costs, improving performance at each plant and capturing synergies through the units in operation, which led to the decision to temporarily shut down nine plants (seven in Brazil, one in Argentina and one in Uruguay). The decision led the segment to reach a balanced utilization rate of 66% of consolidated capacity, compared to 65% in the prior year.

Most likely these units will be reopened in2012, particularly in Brazil, where, after several years of rebuilding the domestic herd and limiting the slaughter of breeding stock, Brazil's beef cattle production cycle currently points to potential improvement in cattle supply.

In Argentina, after the asset exchange transaction with Brasil Foods S.A. to be concluded in 2012, the Corporation will maintain its focus on specific market segments, such as the food service segment and exports of prime cuts, taking advantage of the country's vocation as the largest supplier under the Hilton Quota.

In Uruguay, where Marfrig is the largest private company, we will continue to take advantage of our leadership position to leverage exports. Due to its sanitary conditions, the country is authorized to export beef to any country in the world.

Seara Foods

In 2011, the Corporation announced the organizational restructuring of the poultry, pork and processed and higher-value product segments, with the integration of Seara Brasil, Moy Park and Keystone Foods under the Seara Foods segment.

With the objective of increasing the production capacity of higher-value products and strengthening Seara's position in Brazil, in December 2011, Marfrig signed a binding agreement with Brasil Foods S.A. Under the agreement, Marfrig exchanged certain assets in Argentina for 10 production units of higher-value products, eight distribution centers and 12 food brands, which will support an increase in Seara's market share in Brazil, especially in the higher-value product segment. The entry of the new assets will enable Marfrig to increase its production capacity of higher-value products by approximately 150% and to increase its poultry and pork production capacity by 25% and 50%, respectively.

Moreover, in 2011, Marfrig created Keystone Foods Latin America, which specializes in the production, marketing and distribution of products to the food service channel, seeking operating gains and portfolio improvements for the Corporation. The new structure includes two industrial plants with some 4,000 employees serving more than 14,000 points of sale.

In its international operations, this year Keystone Foods formed two joint ventures in China: COFCO Keystone Foods Supply Chain Investment Company, which plans to build six distribution centers, with the first to be inaugurated in 2012; and Keystone-Chinwhiz Poultry Vertical Integration, which launched chicken slaughter operations in the second half of the year, with daily capacity of 200,000/head.

Moy Park maintained its leadership in the UK market, with a strong presence in major retail chains and in the food service segment. In March 2011, the division became the largest company in Northern Ireland, according to the Belfast Telegraph, a newspaper in Northern Ireland. To strengthen the Moy Park brand in the United Kingdom and Europe, Seara Foods conducted local marketing campaigns and signed an agreement with renowned chef Jamie Oliver for the production and marketing of a premium line of chicken products as of 2012.

Marfrig Beef

Seara Foods

A Balanced Cuisine

Balanced food is the basis of China's culture, with the principle of yin and yang also applying to its local cuisine. This means it is important to balance temperature, flavor, aroma, color and texture when preparing dishes, while using combinations of sweet and savory, hot and cold and softness and crunchiness. The most commonly consumed foods are cooked vegetables, soups, pastas, poultry, fish and meat.

Corporate Governance

Commitment to governance best practices and the Code of Ethics strengthens the Corporation's relations with stakeholders

The Marfrig Group is managed by experienced professionals who are committed to the highest level of corporate governance, ensuring the transparent disclosure of information by the Corporation to its various stakeholders (shareholders, investors, clients, consumers, suppliers, employees and society) supported by practices that exceed the legal recommendations and requirements.

In addition, as a publicly held company, Marfrig complies with the rules of the Securities and Exchange Commission of Brazil (CVM) and the Novo Mercado Listing Regulations of BM&FBOVESPA, and also observes the recommendations of the Brazilian Code of Corporate Governance Best Practices issued by the Brazilian Corporate Governance Institute (IBGC).

Marfrig has adjusted its Bylaws to meet the new provisions of the Novo Mercado Listing Regulations of the Brazilian Stock Exchange (BM&FBOVESPA). Marfrig's strict adherence to ethical commitments is also guided by its Mission, Vision and Values and its Code of Ethics, which are widely disseminated among all of its stakeholders.

Main Changes to Marfrig's Bylaws

- The positions of chairman of the Board of Directors and chief executive officer or main executive of the Corporation may not be occupied by the same person as from May 10, 2014. **GRI 4.2**

- Addition of a new item requiring the Board of Directors to issue a reasoned opinion advising shareholders on any tender offer announced for the stock issued by the Corporation.

- Inclusion of a new item requiring the Board of Directors to issue a list of three specialized firms for valuing the Corporation's stock in the event of a tender offer for its delisting or of its migration from the Novo Mercado listing segment of the exchange.

- Amendment of the respective article to require the acquirer in a stock tender offer conducted under the scope of a private transaction entered into with the Controlling Shareholder to pay the difference between the offer price and the amount paid per share acquired on the exchange in the prior six-month period.

- Amendment of the respective article to require the Controlling Shareholder to conduct a stock tender offer in the event of the Corporation's migration from the Novo Mercado arising from an ownership restructuring in which the surviving company is not admitted for trade on this listing segment within 120 days from the date of the Shareholders' Meeting that approved said transaction.

- Inclusion of an article regulating the definition of the shareholders to be responsible for conducting the stock tender offer in the event of the delisting of the Corporation or its migration from the Novo Mercado listing segment in which the surviving company has dispersed ownership with no definition of the controlling shareholders or in the event of the migration from the Novo Mercado listing segment due to an ownership reorganization in which the surviving company is not admitted for trade on the Novo Mercado.

- Inclusion of an article requiring a stock tender offer to be conducted in the event of the Corporation not being admitted for trade on the Novo Mercado due to failing to comply with the obligations stipulated in the listing segment's regulations.

Guiding Principles of the Organization GRI 4.8

Mission

To meet and exceed the expectations of our clients and partners by supplying exceptional products made using modern technology and highly qualified people, while operating with social and environmental responsibility and creating value for our clients, partners, employees, shareholders and the society.

Values

- Commitment to clients and consumers
- Respect for the environment
- Excellence and quality
- Social responsibility
- Safety
- Integrity

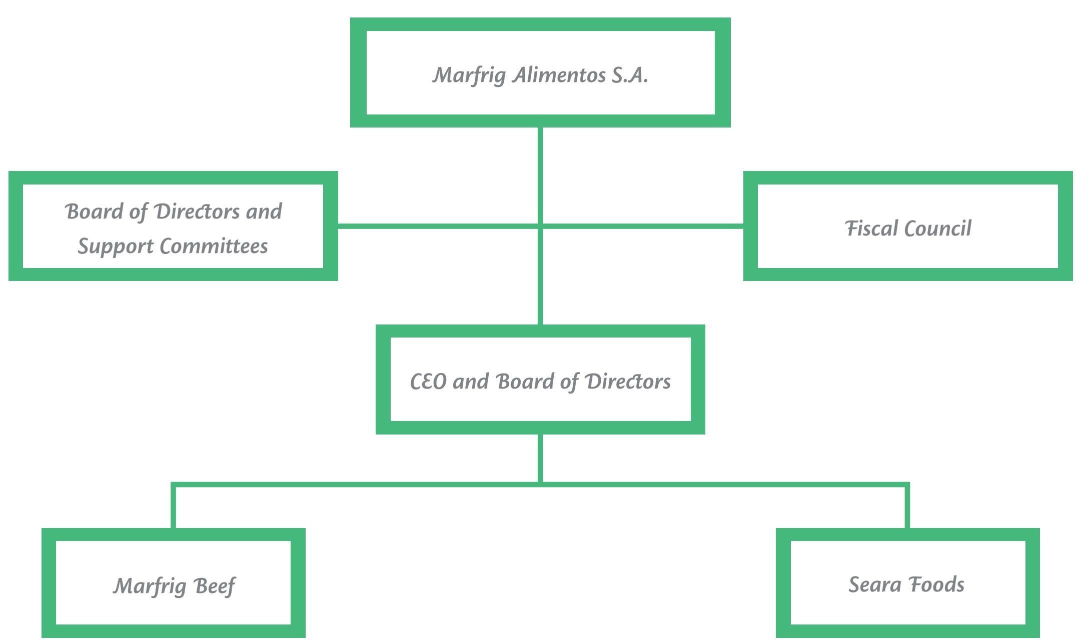
Vision

To be recognized in the Brazilian and international markets for processing and marketing high-quality products in all segments and brands and continuing to expand in the domestic and international markets, while maintaining a firm commitment to the continuous improvement of products, sustainable growth and profitability.

Code of Ethics

The Code of Ethics of the Marfrig Group guides all involved in the Corporation in their paths, attitudes, commitments and objectives by disseminating best corporate values throughout the industrial, commercial and administrative units in all countries where Marfrig is present. Learn more about the Code of Ethics in the section Sustainable Development or view the full document at www.marfrig.com.br.

Governance Structure GRI 4.1



Shareholders' Meetings GRI 4.4

Marfrig's shareholders' meetings are held in order to: evaluate the actions of the managers; examine, discuss and vote on the Corporation's financial statements; decide on Management's proposals concerning the allocation of net income for the year and the distribution of dividends to shareholders; elect and substitute the members of the Board of Directors and Audit Board; establish the aggregate compensation of the members of the Board of Directors, Audit Board and Executive Board, among other responsibilities. Meetings are called with a 15-day prior notice on first call and 8-day prior notice on second call and give shareholders an opportunity to interact with and make suggestions to the highest governance level of the Corporation.

In 2011, Marfrig held three shareholders' meetings, with the main matters discussed and approved including: the incorporation of the Corporation's subsidiaries; the change in the headquarters; the establishment by the Board of Directors of the limits of power of the Executive Board; the establishment of the Audit Board as a permanent body; the approval of the management report and the financial statements; the election of the members of the Board of Directors and the Audit Board; the determination of the aggregate compensation of the Directors, Officers and members of the Audit Board for fiscal year 2011.

THE LEADERS OF THE MARFRIG GROUP ALIGN PEOPLE, DIVISIONS AND BUSINESSES WITH THE CORPORATE OBJECTIVES

The documents pertaining to the Shareholders' Meeting are made available to shareholders at the Corporation's headquarters and on the website www.marfrig.com.br/ir.

To ensure the highest levels of corporate governance in the discussions of the shareholders' meetings, if any conflict of interest exists between a certain shareholder and the matter on the agenda, the shareholder will be prohibited from casting a vote on the specific conflicting matter, pursuant to Article 115 of Federal Law No. 6,404/76. **GRI 4.6**

Audit Board

The Audit Board operates independently from the management and the external audit of the Corporation. It is responsible for overseeing the actions of the management and for analyzing the financial statements, reporting its findings to shareholders. It functions on a permanent basis, in accordance with governing law.

It is composed of at least three and at most five members and alternate members, all of whom must be Brazilian residents and either hold an undergraduate diploma or have worked as a manager or as a member of the audit board at another company. To avoid conflicts of interest, members man not simultaneously hold positions on the Board of Directors, Executive Board or workforce of any subsidiary or company of the same Group and may not be related up to third degree of kinship with the managers of the Group. **GRI 4.6**

In 2011, the Audit Board requested information and analyzed matters pertaining to the Corporation's financial statements, internal audit, independent audit, risk management, administrative restructuring and sustainability.

Members of the Audit Board *(December 31, 2011)*

Marcílio José da Silva	Member
Peter Vaz da Fonseca	Member
Roberto Lamb	Member
Carlos Roberto de Albuquerque Sá	Alternate member
Marcelo Silva	Alternate member

On December 21, 2011, Estefan George Haddad, a member of the Audit Board of the Corporation elected on April 30, 2011, resigned in favor of his alternate Peter Vaz da Fonseca to avoid conflict of interests, given that he had accepted an executive position at the audit firm BDO RCS Auditores Independentes.

Board of Directors

The Board of Directors is the collegiate decision making body responsible for formulating and monitoring the implementation of the general business policies by appointing and supervising the management activities of the executive officers and by hiring the independent auditors. The principal matters addressed by this body in 2011 were previously analyzed by its advisory committees.

All decisions are taken by a majority vote of the members present in the deliberations. In accordance with Brazilian Corporate Law, Directors are prohibited from participating in any transactions or business that represent a conflict of interests. **GRI 4.6**

The body is composed of at least five and at most 11 members, all of whom are elected by the Shareholders' Meeting for a unified term of two year and may be substituted at any time by the shareholders convened in a Shareholders' Meeting. Independent directors account for 37.5% of the Board, all of whom were reelected at the Annual Shareholders' Meeting held on April 30, 2011, for a term of office lasting until 2013.

Directors *(December 31, 2011)* GRI 4.3

Marcos Antonio Molina dos Santos	Chairman
Alain Emilie Henry Martinet	Director
Antonio Maciel Neto	Independent director
Carlos Geraldo Langoni	Independent director
David G. McDonald	Director
Marcelo Maia de Azevedo Correa	Independent director
Márcia Aparecida Pascoal Marçal dos Santos	Director
Rodrigo Marçal Filho	Director

A brief biography of each member of the Board of Directors follows:

Marcos Antonio Molina dos Santos: Chairman of the Board of Directors of the Corporation and CEO of the Marfrig Group. With vast experience in the industry in which Marfrig operates, he began working at age 16, when he opened his first business. He has served as the Corporation's Chief Executive Officer since its incorporation. He is also a shareholder in and the CEO of MMS Participações S.A., the parent company of the Corporation.

Alain Emilie Henry Martinet: member of the Corporation's Board of Directors. Mr. Martinet is French-Argentinean and has worked in the meat industry for over 30 years, having managed the international area of the meat department at the Louis Dreyfus Corporation USA from 1978 to 1984. He was general manager (1985 to 1991) and commercial director (1991 to 1992) at the meatpacker Frigorífico Rio - Platense. He served as executive officer at SWIFT Argentina for five years since 2001. Mr. Martinet joined the Corporation in October 2006 and has served as the executive officer responsible for the Argentina operations, for the trading houses and for the U.S. operations of the Marfrig Group.

Antônio Maciel Neto: independent member of the Corporation's Board of Directors. Mr. Neto served as chief executive officer of Ford in Brazil and in South America and as Corporate Vice President of Ford (1999 to May 2006). He also served as the chief executive officer of the Itamarati Group (1997 to 1999) and of CECRISA - Revestimentos Cerâmicos (1993 to 1997). From 1990 to 1993 he held various positions in the federal government in Brasília, serving in the Ministry of the Economy as Deputy Director of the Industry and Commerce Department and as Adjunct National Economic Secretary. When the Ministry of Industry, Commerce and Tourism was created, he served for eight months as Vice-Minister. During these three years, Maciel was the technical coordinator of the Brazilian Quality and Productivity Program (PBQP). He began his career at Petrobrás in 1980, where he worked for 10 years. Since 2006, he has served as CEO at Suzano Papel e Celulose. He is also a member of the Global Board of Directors of Archer Daniels Midland Company and he has been a member of the Chamber of Management, Performance and Competition Policies of the President of Brazil since May 2011. Mr. Maciel Neto received a bachelor's degree in Mechanical Engineering from the Federal University of Rio de Janeiro (UFRJ) in 1979.

Carlos Geraldo Langoni: independent member of the Corporation's Board of Directors. Mr. Langoni is currently member of the Board of Directors of Souza Cruz; member of the Advisory Board of Guardian Industries; chief executive officer of Projeta Consultoria Econômica Ltda.; Senior Consultant to Companhia Vale do Rio Doce; member of Aliance Shopping Centers S.A. He served as president of the Central Bank of Brazil from 1980 to 1983. Mr. Langoni received a bachelor's degree in Economics from the Federal University of Rio de Janeiro (UFRJ) in 1968 and obtained his PhD in Economics from the University of Chicago in 1970.

David G. McDonald: member of the Corporation's Board of Directors. He is also a member of the Board of Directors of the OSI Group. He joined Marfrig's Board in 2008, after the acquisition of the OSI Group's operations in Europe and Brazil by Marfrig. Mr. McDonald graduated in Animal Sciences from Iowa State University in 1987, the same year he joined as project manager the OSI Group, a multinational food processing company with over 70 facilities in 38 countries (www.osigroup.com), where he is currently chief executive officer and chief operations officer.

Marcelo Maia de Azevedo Correa: independent member of the Corporation's Board of Directors. Mr. Correa is the chief executive officer of Grupo Neoenergia S.A. and a member of the boards of directors of the following companies: Operador Nacional do Sistema Elétrico (ONS), Coelba, Cosern, Celpe, Itapebi, Termopernambuco, PCH I, Afluente, Goiás Sul and Baguari I. He served as CEO of VBC Energia S.A. (1997 to 2004) and chairman of the administrative board of CPFL – Piratininga (2001 to 2002). He was member of the Audit Board of RGE – Rio Grande Energia (1997 to 1999) and of CPFL – Paulista (2000). Mr. Correa received a bachelor's degree in Civil Engineering from PUC-RJ in 1982 and an MBA in Finance from IBMEC in 1992.

Márcia Aparecida Pascoal Marçal dos Santos: member of the Corporation's Board of Directors. Ms. Marçal has vast experience at Marfrig, having served as head of the financial department and the internal audit team from 2000 to 2006.

Rodrigo Marçal Filho: member of the Corporation's Board of Directors. Mr. Marçal Filho's has spent his entire career in agribusiness, having served as farm administrator until he joined the Corporation in May 2000, where he was responsible for purchasing cattle until he became Infrastructure Officer.

Governance and sustainability goals set for 2014

GRI 4.5 | 4.7 | 4.9 | 4.10 (partially met)

1. *Improve the qualifications of its directors on the theme of sustainability through specific internal events. To monitor this goal, the Corporation will create a director selection policy that will determine the requirements for serving on this body.*
2. *Establish mechanisms to enable the Board of Directors to monitor the Corporation's economic-financial, social and environmental performance.*
3. *Define a compensation policy for the Board of Directors and Board of Executive Officers that is linked to the Group's economic-financial, social and environmental performance. The indicators that determine this portion of the variable compensation will be constantly monitored by these two bodies.*
4. *Implement a self-assessment process that includes economic-financial, social and environmental criteria linked to the Corporation's overall performance and a commitment by directors to actively participate in deliberations.*

Advisory Committees

The Group's corporate governance structure includes specific advisory committees to the Board of Directors, composed of directors or independent members.

Audit Committee: supports the execution of the internal and external audit processes and matters involving accounting and the disclosure of financial Information, and also assesses the effectiveness of the internal financial and legal compliance controls. The committee is coordinated by Marcelo Maia de Azevedo Correa, an independent director.

Compensation, Human Resources and Corporate Governance Committee: supports the decision-making process related to human-resources strategies, policies and internal rules, including determining the compensation and benefits offered to managers, employees and outsourced service providers. It also supports the execution of processes and the control and development of corporate governance practices. This Committee is coordinated by Antonio Maciel Neto, an independent director.

Financial Committee: responsible for periodically examining the investment and borrowing plans and their impacts on the capital structure of the Corporation and for monitoring the maintenance of the predetermined liquidity and capital structures. This Committee is responsible for analyzing and approving financial operations whose value ranges from between 5% and 10% of the Corporation's capital, based on the latest financial statements disclosed. The committee is coordinated by Carlos Geraldo Langoni, an independent director.

Board of Executive Officers

Marfrig's statutory officers established by its bylaws are the Group's legal representatives and are responsible for its administration and for implementing the general policies and guidelines established by the Board of Directors.

Its members must be Brazilian residents and may or may not be shareholders in the Corporation. At most one-third of the members of the Board of Directors may hold positions on the Board of Executive Officers. The officers are elected and removed from office by the Board of Directors and have terms of three years, with reelection permitted.

Statutory Officers *(December 31, 2011)* **GRI 4.2**

Marcos Antonio Molina dos Santos	Chief Executive Officer
Ricardo Florence dos Santos	Corporate Strategy and Investor Relations Officer
James David Ramsay Cruden	Chief Operating Officer
Alexandre José Mazzuco	Chief Financial and Administrative Officer

A brief biography follows of each Statutory Officer, except for Mr. Marcos Molina, who is also chairman of the board of directors:

Ricardo Florence dos Santos: chief financial and investor relations officer of the Marfrig Group. Mr. Santos served at Grupo Pão de Açúcar for 16 years (since 1984) as Financial Planning Officer and Statutory Investor Relations Officer. He worked for two years (2000 to 2001) at UOL Inc. (Grupo Folha de São Paulo) as Statutory Investor Relations Officer. He was Assistant IR Officer at Brasil Telecom (2006 to 2007). Mr. Santos also participated on the Boards of Directors of Grupo Pão de Açúcar (1995 to 1999), UOL – Grupo Folha (2001) and IBRI – Brazilian Investor Relations Institute (1998 to 2001) and on the Advisory Board of Dentalcorp S.A. (2002 to 2006). He is currently president of the Brazilian Investor Relations Institute (IBRI).

James David Ramsay Cruden: Chief executive officer and chief operating officer of the Marfrig Beef division. Mr. Cruden has worked in the beef industry since 1970. He began his career at Angliss Co. in Australia (1970 to 1973), a company of the Vestey Ltd. Group, or Vestey Group, a traditional British food company. In 1974, he moved to Brazil to work at Anglo Alimentos S.A., a slaughterhouse owned by the Vestey Group, and remained at that company until 1979. From 1980 to 1982, he worked as general manager for the Vestey Group in the Netherlands. In 1982, Mr. Cruden was transferred to the Brazilian branch of the Vestey Group, where, by 1986, he had served as vice-president, commercial director and superintendent director. From 1986 to 1989, he served in various positions at Frigorífico Bordon. From1989 to 1992 was CEO at Pampeano. From 1993 and 1996, he served as Director at Anglo Alimentos. From 1996 to 1998, he managed his own cattle business. In 1998, he returned to Anglo Alimentos S.A., and in 2000 became CEO of BF Produtos Alimentícios Ltda., one of Brazil's largest producers of cooked processed beef. He remained in this position until 2004, when he joined the Corporation as Chief Operations Officer, responsible for its industrial processes and wholesale and exporting activities.

Alexandre José Mazzuco: Chief financial officer of the Marfrig Beef division. Mr. Mazzuco has worked in finance since 1985, and has broad experience in controllership and market relation areas at companies that have implemented major turnarounds, including operational restructurings and changes in the capital structure. He began his career at Companhia Paulista de Fertilizantes in 1985, where he worked for 12 years. Later he served as controller at Fábrica Nacional de Vidros de Segurança Ltda., or FANAVID, from 1999 to 2002. He led the negotiations for the acquisition of an interest in FANAVID by the Asahi Glass Group (one of the world's largest groups in this sector). He also led the ISO 9000 certification process and the implementation of ERP software at the Corporation. Mr. Mazzuco joined the Corporation in 2002.

Marfrig's Management is formed by the Board of Executive Officers, divided into divisions and formed by experienced professionals in each area. Officers may remain in their positions for an indefinite period of time or be substituted at any moment.

Officers *(December 31, 2011)*

James David Ramsay Cruden	CEO and COO of Marfrig Beef
José Mayr Bonassi	CEO Seara Alimentos
Martin Carignani	CEO Argentina
Martin Secco Arias	CEO Uruguay
Nigel Wallace Boyd Dunlop	CEO Moy Park
Larry S. McWilliams	CEO Keystone

Brief biographies follow of each member of the Operating Executive Officers of each Division, except for the Statutory Officers.

José Mayr Bonassi: has worked in the agribusiness sector over his entire career. He has managed poultry, pork, feed, soy crushing and industrial processes departments. He worked for 20 years at Sadia, where he held positions on the executive committee in the operational, commercial and administrative areas. He was also a founding partner of Buono Itália, in partnership with a major Italian food company. In 2001, he was one of the founding partners of Marbella, where he served as chief executive officer until end-2007. He holds a bachelor's degree in Business Administration from Universidade do Oeste de Santa Catarina and a graduate degree in accounting from the same university and has completed the following international non-degree programs: Total Quality Management at Juse (Japan); Advanced Management Program at Insead (France); and Management Strategy at the Kellogg School of Northwestern University (USA). He also participated in the course for members of boards of directors organized by the Brazilian Corporate Governance Institute (IBGC).

Martin Carignani: chief executive officer of the Argentina operations. Mr. Carignani has more than 15 years of experience in the beef industry. In 1994, he joined the production department of Frigorifíco CEPA S.A., where he became head of Management and Production Cost in 1995 and planning manager in 1996. He joined the Corporation in 2000 as planning manager at Quickfood, where he became general manager in 2011. Mr. Martin holds a bachelor's degree in Agricultural Engineering from Universidad Católica de Córdoba, a graduate degree in Business Administration from Universidad del ESADE y UCC, an MBA in Agribusiness from Universidad del CEMA, and a diploma from the Corporate Finance program at IAE.

Martin Secco Arias: chief executive officer of the Corporation's operations in Uruguay. Mr. Arias served as executive officer at Frigorífico Brincofor S.A. in Uruguay from 1987 to 1992. From 1992 to 2007, he worked at Tacuarembó as Industrial as chief industrial and commercial officer. He joined the Group in 2006. Mr. Martin holds a bachelor's degree in Business Administration from Universidad Católica de Uruguay and a graduate degree in Management from Universidad de Montevideo.

Nigel Wallace Boyd Dunlop: chief executive officer of the Europe operations. Mr. Dunlop began his career as a trainee at Gallagher Group plc in the 1980s, later becoming Executive Officer in 2002, helping to lead the Group to become one of the world's largest tobacco companies. He joined Moy Park in September 2007 as General Director. Following the acquisition of the Moy Park group, Mr. Nigel was appointed head of the Europe operations. Educated at the Royal Military Academy Sandhurst in the United Kingdom, where he graduated in 1977, he followed a military career for three years, reaching the rank of captain in 1980. In the same year, he began his career as an executive.

Larry S. McWilliams: chief executive officer of the Keystone division. Mr. McWilliams joined the group in 2011, after working for 10 years at Campbell Soup, where he served as senior vice-president and chief customer officer, CEO of North America Soup, senior vice-president and CEO of Campbell USA, senior vice-president at Campbell Soup Company and CEO of the Campbell International division. Before working at Campbell, he held various positions at Coca-Cola from 1995 to 2011, and at Pillsbury Company from 1993 to 1995. Mr. McWilliams is a graduate of Texas A&M University. Mr. McWilliams also serves on the board of governors of St. Josephs University Food Marketing Council and formerly served on the Industry Affairs Council of the Grocery Manufacturers' Association.

For more information on the members of the Board of Directors, the Committees and the Board of Executive Officers, including their experience with social and environmental issues, please see our Reference Form at www.cvm.gov.br or on the Corporation's website at www.marfrig.com.br/ir.

Strategy and Investments

Marfrig's long-term strategy consists of investing in building strong relationships with its stakeholders to guarantee the reputation and recognition of its brands as well as its consolidation as a global food company focused on the results and sustainability of its business. For this, Marfrig's entire management is committed to developing and implementing efficient initiatives in its production chain that generate returns and increase its competitiveness.

In 2011, the Group underwent an operational restructuring that consolidated its businesses into two segments: Marfrig Beef and Seara Foods. The beef, lamb and leather operations were consolidated into a single business segment, Marfrig Beef. Meanwhile, Seara Foods now concentrates the poultry, pork and high-value processed product operations. The two segments are subject to the Group's guidelines, though have the autonomy to execute projects and actions in accordance with the needs of each operation and the regions where they are located.

This new organizational arrangement was based on principles such as:

- focus on business management and the core business;
- lowering costs and increasing cash generation;
- capturing synergies across the Group's global platform;
- minimizing the complexity of the organizational structure and complementing the process to unify the corporate culture across operations, ensuring that both segments effectively adopt Marfrig's corporate identity.

Another highlight this year – and which will be one of the Company's priorities in 2012 – was strengthening the Seara brand, which strategically remains Marfrig's global brand, offering high-quality products at competitive prices in both the domestic and international markets. Seara's market share in Brazil increased, driven by sales of lasagnas and ready-to-eat meals, pizzas, cold cuts, sandwiches and specialty cuts. The segment also launched product lines targeting the export market, which included hamburgers, breaded products and ready-to-eat meals to serve markets in South America, Europe, Asia and the Middle East.

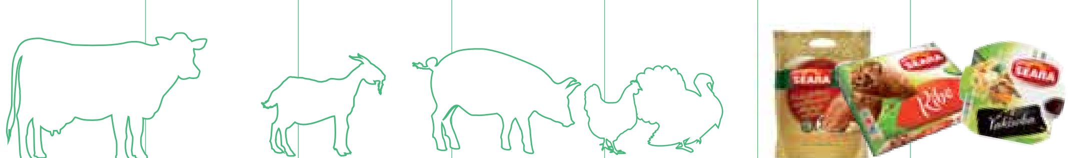
The strategy of increasing the share of higher-value products in the Company's sales revenue was reinforced by the asset exchange transaction conducted with Brasil Foods in December 2011. The entry of these new assets over the course of the year will significantly increase the installed capacity of high-value products in Brazil, driving higher sales of these products and an increase in the number of clients and points-of-sale, which should support expansion in Seara's market share in Brazil.

As part of its strategy for the coming years, Marfrig will continue to target an increased share of high-value products in its sales mix and operational improvements in order to ensure sustainable margins over the long term.

Also in 2011, seeking to strengthen its operations to accompany the growth in China, a market it considers one of the major drivers of world protein demand for the coming years, the Group formed two joint ventures in the country. The first, COFCO Keystone Foods Supply Chain Investment Company, envisions the construction of six distribution centers, with the first to be inaugurated in 2012, while the second JV, Keystone-Chinwhiz Poultry Vertical Integration, will increase the vertical orientation of chicken production and reach daily production capacity of 200,000 head once it begins operating at full capacity in the first half of 2012.

GROWTH → DIVERSIFICATION → OPTIMIZATION

	2006	2007	2008	2009	2010	2011	2012
STRATEGY PHASES	*Capacity increase Diversification across regions*		*Diversification across proteins Focus on high-value products*		*Consolidation of global platform with international distribution*		*Higher-value brand and products*
ACQUISITIONS	Tacuarembó *52 years*	Mabella Quickfood *52 years*	Moy Park DaGranja Pena Branca *69 years*	Seara *56 years*	O'Kane *80 years* Keystone Foods *42 years*		Brasil Foods Assets (TCD – CADE)
DIVERSIFICATION							
FUNDING	Bond issue	IPO on the BOVESPA	Rights offering to shareholders	Rights offering	Issue of bonds and mandatorily convertible debentures	Non-convertible debentures and bond issue	Asset swap



Risk Management GRI 1.2

The Marfrig Group manages the risks to which it is exposed in order to minimize their effects on the Corporation, with a focus on planning, organizing, managing and controlling the organization's resources. The Group's strategy of diversifying its operations across geographic regions and animal proteins is closely aligned with its risk management. This ensures the continuity of operations in the event of the imposition of sanitary restrictions by certain consumer markets and mitigates its financial exposure to variations in exchange rates, interest rates and commodity prices and to credit risks. The main risks managed by the Corporation are described below.

Liquidity Risk

This is the risk that the Corporation may encounter difficulties in fulfilling its upcoming financial obligations. To mitigate this risk, Marfrig's capital management is based on parameters aimed at optimizing its capital structure, focusing on liquidity and leverage metrics that enable returns for shareholders that are consistent with the risks assumed in the operations.

Interest Rate Risk

Interest rate risk refers to the Corporation's risk of incurring economic losses due to adverse changes in interest rates. This exposure basically refers to changes in these market interest rates that affect the Corporation's assets and liabilities pegged to Brazil's Long-Term Interest Rate (TJLP), the London Interbank Offered Rate (LIBOR) and the local overnight interbank rate (CDI). To minimize debt service costs, the Group continually monitors these market variables to assess the need to contract derivative instruments to hedge its operations against the risk of fluctuations in these rates.

Commodity Price Risk GRI EC2

During its activities, the Corporation purchases certain commodities, such as cattle, grains and energy, which are the biggest individual components of its production costs and are subject to certain variables. The price of cattle acquired from third parties is directly related to market conditions and is influenced by the supply in local markets and the demand in international markets, while corn, wheat and soybean meal are subject to volatility arising from weather conditions, crop yields, transport and storage costs, agricultural policy, foreign exchange rates, international price quotes and other factors that are beyond Management's control. Energy prices are subject to price variations caused by external factors beyond Management's control, as also are diesel and gasoline prices. To reduce the impact from commodities, the Corporation manages inventory levels, holds cattle in feedlots and trades derivative financial instruments in the futures market, as well as other operations.

Credit Risk

The Group incurs financial losses if a client or a financial instrument fails to comply with its contractual obligations. The Corporation limits this exposure through credit analysis and managing its client portfolio, seeking to minimize its economic exposure to certain clients or markets that could cause significant losses. Assessments are based on information flows and monitoring the volume of purchases in the market, while internal controls involve the assignment of credit limits. The maximum exposure to credit risk is equivalent to the value of the trade accounts receivable.

Exchange Rate Risk

Exchange rate risk consists of the risk of fluctuations in the exchange rates of foreign currencies that could cause the Corporation to incur losses that lead to a reduction in the value of its assets or an increase in the value of its liabilities. The Corporation's main exposure relates to the fluctuation in the price of the U.S. dollar against the Brazilian. Since around 74% of Marfrig's revenue originates in currencies other than the Brazilian real, the Corporation enjoys a natural hedge for fulfilling its future obligations denominated in foreign currency.

Climate Change Risk GRI EC2

The Corporation's activities are based on an agricultural supply chain whose yields vary in accordance with weather conditions in the various regions where it operates. Changes in weather patterns could negatively or positively affect the supply and costs of the inputs used by the Group and also cause other effects on its operations.

Marfrig's operations are highly diversified across geographic regions as well as products, which substantially mitigates these risks. The Corporation also closely monitors the evolution of phenomena and takes specific complementary measures when needed, which includes taking advantage of any opportunities that emerge. The analysis of climate risks is reported annually on the climate change information platform CDP Project (www.cdproject.net).

To learn more about the complete risk matrix, please see the Corporation's Reference Form, which is available at www.cvm.gov.br or on the Corporation's website at www.marfrig.com.br/ri.

Intangible Assets

Intangible assets acquired from third parties and those generated internally by the Corporation are very important to creating sustainable value over the long term, and as such are closely managed by the Group. Marfrig's main intangible assets are described below.

Brand

Marfrig's portfolio of brands linked to high-value products is recognized worldwide for its quality, safety, diversification and innovation.

The Corporation offers consumers a complete range of food products in various market segments, both through its global brand, Seara, as well as through local/regional brands like Bassi, Marbella, Pena Branca, Da Granja, Abeerdeen Angus, La Morocha and others. The Corporation also operates through licensed brands, such as Pemican (USA), Jamie Oliver, (Europe) and Montana (Brazil), and offers a wide range of private-label products to major international retail and supermarket chains.

In the food service segment, Marfrig offers food products and services to restaurants, steakhouses, hotels, bars and the world's leading fast food chains, guaranteeing the quality and safety of the products sold by its clients to consumers.

Marfrig invests in strengthening Seara as a global brand through marketing campaigns and actions, such as its sponsorship of Brazil's national football (soccer) team and of the 2014 FIFA World Cup. To learn more about the brands marketed by the Marfrig Group worldwide, please visit the Our Brands section at www.marfrig.com.br.

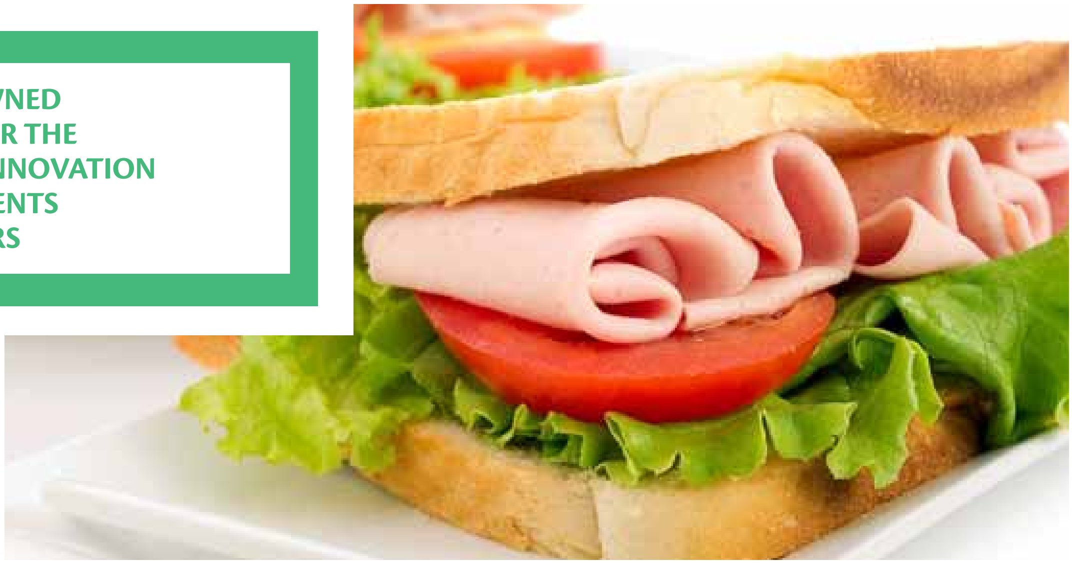
Human Resources

The merger of new companies into the Group bolstered its human capital, leading Marfrig's employees to number around 85,000 strong in 2011. In addition to its highly qualified and committed team, the Corporation has been investing in disseminating its corporate culture based on its Mission, Vision, Values and Code of Ethics. The new Human Resources Vice-President is responsible for unifying people management practices and policies and consolidating these aspects throughout the Group.

Relationship with Clients

The Corporation is committed to offering its global clients high-quality and innovative products and services, meeting their expectations and building lasting relationships based on trust and value creation. The Corporation's Research and Development area studies, develops and tests products in order to adapt them to consumers' demands. Furthermore, the close relationship with clients is present at all levels of the Corporation, even involving its senior managers.

BRANDS RENOWNED WORLDWIDE FOR THE QUALITY AND INNOVATION THEY OFFER CLIENTS AND CONSUMERS



Know-how in the Supply Chain

To improve the management of its supply chain, the Group monitors the best practices of its suppliers of goods and services, which helps improve operating and environmental performance throughout the supply chain. The Corporation created a department responsible for this relationship to improve the management of its industrial, commercial and service activities and the management of its contact with suppliers.

Diversification

The diversification of its portfolio of products and regional markets is another one of Marfrig's competitive advantages. At end-2011, the Corporation had 150 units distributed in 22 countries and 5 continents and exported to 160 countries. This characteristic reduces the Corporation's risk of incurring losses from adverse economic conditions or trade restrictions affecting specific regions.

Sustainable Growth

Sustainable growth is a value that permeates all dimensions of the Group. Rapid business development and the expansion of operations are combined with the integration of processes to reduce costs and maximize results. The broad effort to integrate operations acquired in previous years and the Corporation's restructuring into two segments that occurred in 2011, have contributed to the sustainability of the business.

Research and Development

The Marfrig Group maintains a dedicated research and development structure that pursues innovation and ensures that consumers receive competitive, high-quality products that are adapted to their demands. To achieve this, it has specialized professionals and pilot plants in the United States, Europe and Brazil to develop new products. The Corporation also invests in new technologies to enhance aspects such as innovation, yields, food safety and productivity. In 2011, a total of 77 new products were launched under the Seara brand, which included ready-to-eat meals, pizzas, lasagnas, sliced cold cuts, sandwiches and specialty poultry, pork and beef cuts.

Awards and Recognition GRI 2.10

In 2011, the Marfrig Group and its divisions received awards and recognitions that attest to their actions based on best corporate, management and sustainability practices.

- In September, the Group was awarded the 2011 Transparency Trophy by the Brazilian Association of Financial, Administration and Accounting Executives (Anefac), the Foundation Institute of Accounting, Actuarial and Financial Research (Fipecafi) and Serasa Experian. This was the first time ever that a food company entered this select group of 15 of the most transparent publicly held companies in Brazil.

- For the second consecutive year, Marfrig was elected the Best Beef Company by the 2011 Best Agribusiness Award sponsored by the magazine *Globo Rural* published by Editora Globo, in partnership with Serasa Experian. The survey highlights the 500 largest agribusiness companies and awards the best company in each of the 30 segments analyzed.

- Marfrig was considered the 5th most international Brazilian company in the 2011 ranking of Brazilian Transnational companies, which is sponsored and disclosed by Fundação Dom Cabral.

- For the second consecutive year, Marfrig was elected the Best Beef Company in Brazil in the *Maiores e Melhores* (Best and Largest) issue of the magazine *Exame* published by Editora Abril. The publication listed Marfrig as one of the winners in the Agribusiness Sectors division.

- In November, the Group received from the Brazil-France Chamber of Commerce the Foreign Trade Award (Prix Villegainon), which is awarded to large companies that were prominent in France during 2011. The award recognized the initiatives to prioritize the development of sustainable businesses, the strategies to overcome challenges, the high volume of investments and the innovation employed in the international expansion process.

Seara Foods

- 2011 Green Diploma for the Braslo Meat Products Unit granted by the Municipality of Osasco (São Paulo state)
- Certification of Excellence for the Veríssimo Unit (Minas Gerais state) granted by Carrefour
- Social Seal granted by the Municipality of Itajaí (Santa Catarina state) for the Corporation's initiatives in the city

- Quality Supplier Award and 2011 Quality Supplier Award given at the 2011 McDonald's UK Supply Chain Conference

- McDonald's 2011 Sustainability Award
- McDonald's 2011 People First Award

Marfrig Beef

Argentina

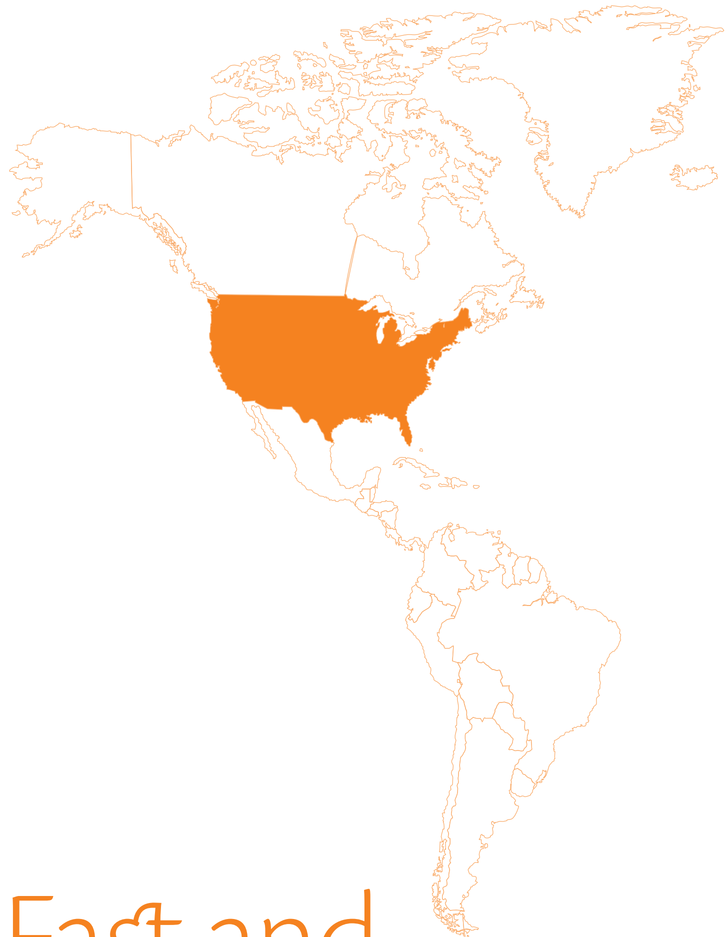
- 3rd and 4th Temera Menor Award RP 08376 and RP 3927, Campeão Temera Menor Champion RP 08358 and Campeão Macho Champion RP 08993 for cattle production received at the National Braford Expo

Brazil

- Certificate Friend of AMAS (Methodist Social Action Association) for the Bataguassu Unit (Mato Grosso do Sul state)
- Nelore Fest 2011 Trophy
- Revista Produz Award in the category "supplier relationship" for the Marfrig Club program

Uruguay

- Largest Exporting Client Award from BROU to Frigorífico Tacuarembó
- McDonald's recognition of Frigorífico Tacuarembó for its efforts and dedication



Fast and Convenient Food

A varied menu is the only rule in traditional U.S. cuisine. Breakfast typically includes eggs, bacon, sausage, pancakes, cereal, peanut butter, coffee and orange juice. Lunch is often brief, which is where the infamous fast food chains come in. Dinner, the main meal of the day, includes salads, pastas, meats and dessert, which are often washed down by a glass of milk.

Sustainable Development GRI 4.15 | 4.16 | 4.17

Marfrig is concerned with integrating social, environmental and economic aspects, drawing on strategic sustainability dimensions as a base

The Marfrig Group is committed to maintaining an economic, social and environmental balance in its business in order to contribute to the development of society and help preserve the planet, while maximizing returns for shareholders. The Corporation strives to become a reference in sustainability in its industry by respecting cultural aspects and local business practices. For this effort, it adopts a strategy of continuous improvement and technological innovation, combined with high levels of transparent and robust corporate governance practices.

The pursuit of business sustainability is one of the pillars of the Marfrig Group's strategy, and is reflected in the expansion of its activities, which are based on the triple bottom line concept, i.e. social, environmental and economic aspects, or more generically known as people, planet and results.

The corporate sustainability strategy permeates all of the Group's divisions and is formed by six aspects (Social, Supply Chain, Environmental, Technological, Economic and Product) that contemplate all of the Corporation's stakeholders: suppliers, partners, clients, employees, shareholders and society (see the chart for more information). These dimensions were created to promote synergies, create value and improve the Group's results. **GRI 4.14**

The process of building these aspects began in February 2011, and involved public consultations of all of the Corporation's stakeholders, as well as the needs of each segment. The Corporation also participated in sustainability events to hear the opinions and positions of suppliers and competitors.

After compiling all of these analyses, 11 aspects were initially defined to support the Group's operations. Next, these themes were adjusted in terms of their potential impact on Marfrig's businesses, drawing on the support of tools such as GRI's Food Sector Supplement. At the end of the process, the Corporation defined six sustainability dimensions.

Based on these six dimensions, the Board of Directors defined goals for 2020 linked to social and environmental indicators. The main goals include:

- having no fatalities caused by workplace accidents and reducing the occupational safety illness rate to under 1.5;
- increasing by 40% the number of women in leadership positions;
- building homes under the project *Fazer e Ser Feliz* at 100% of units;
- promoting, through structured programs, the access of needy communities to healthy food at reduced prices;
- reducing, on a relative basis, CO_2 emissions by 30% and water and energy consumption by 10% and directing a maximum of 5% of the Corporation's solid waste to landfills;
- strengthening the incentive for participating in the CDP Supply Chain, reaching 500 suppliers invited to join the initiative.

Policies

Marfrig has practices that are formalized through policies and uniformly adopted throughout the Group. On the economic-financial front, the Corporation has methods to inform the positions of its operations, as well as guidelines and rules based on specific criteria for contracting financial instruments that set limits on the Executive Board's decision-making powers.

Trading Policy: establishes the rules and procedures to be adopted by the Corporation and related persons regarding trading in securities issued by Marfrig, assuring to all stakeholders that ethical conduct is adopted by those with access to material information. The policy also seeks to prevent and punish the improper use of privileged information by those with access to it.

MARFRIG'S POLICIES ARE ADOPTED THROUGHOUT THE GROUP AS IMPORTANT INSTRUMENTS FOR STANDARDIZING PROCEDURES RELATED TO THE BUSINESS AND ITS MANAGEMENT

Dividend Policy: Brazilian Corporate Law and Marfrig's Bylaws require an Annual Shareholders' Meeting to be held in the first four months of each year to decide on the payment of annual dividends. All shareholders on the dividend declaration date are entitled to receive a dividend of at minimum 25% of adjusted net income, pursuant to Brazilian Corporate Law and the Corporation's Bylaws, calculated based on unconsolidated financial statements.

Disclosure Policy: establishes practices for the disclosure and use of information to be adopted by the controlling shareholder, directors, officers, members of the audit board and any other persons that may have access to information concerning a material act or event of the Corporation. The respective officer is responsible for disclosing the information in the high circulation newspapers used by the Corporation and making it immediately available at the Securities and Exchange Commission of Brazil (CVM) and the BM&FBOVESPA and on the Corporation's Investor Relations website (www.marfrig.com.br/ri), as well as for other procedures.

Climate Change and Natural Resources Policy: its main objective is to prepare the Corporation's industrial and commercial and services activities for a low-carbon economy. To achieve this, it adopts practices that promote the rational use of resources and promotes a culture of sustainable development throughout all of the Group's units, drawing on instruments to assess risks and opportunities related to the adoption of such practices. **GRI EC2**

Occupational Health and Safety Policy: establishes occupational health and safety guidelines to ensure: hygiene at buildings, better facilities, adequate equipment and tools, compliance with legal requirements, internal rules and legislation for the development of its activities. It also determines that all people related to the Group must adopt conduct that is exemplary, educational and preventive regarding the issues related to this theme, even when not at work.

Management Systems

Each division of the Marfrig Group follows a model that best meets the needs of its clients and markets. The Integrated Management System (SGI in Portuguese) of the Brazil Beef division manages demands related to health and safety, the environment, social responsibility and food safety in order to ensure compliance with legislation, client requirements, regulations and to monitor sustainability practices.

At the Keystone Foods division the highlight is Keystar, which reflects the division's commitment to corporate social responsibility and provides clear business objectives and a path to achieve them.

The tool Credit 360, which is a Gold partner of the Carbon Disclosure Project (CDP), is still under the implementation phase. Once complete, it will allow for the management of indicators in line with the guidelines of the Global Reporting Initiative and the Carbon Disclosure Project (CDP) in order to further improve the gathering and analysis of such data. Another highlight in 2012 was the certification obtained from the Forestry and Agriculture Management and Certification Institute (Imaflora) and the Rainforest Alliance (RCA), a global organization that was one of the first to create forest-protection protocols. As a result, Marfrig became the first animal protein company in the global food industry to track its complete beef production cycle.

Unit Certification

Seara Foods	Marfrig Beef
ISO 14001 Environmental management **24**	*ISO 14001 Environmental management* **10**
ISO 22000 Food safety **8**	*ISO 22000 Food safety* **19**
ISO 9001 Quality **19**	*ISO 9001 Quality* **7**
OSHAS 18001 Health and safety management **1**	*OSHAS 18001 Health and safety management* **10**
BRC British Retail Consortium **26**	*BRC British Retail Consortium* **18**
ISO 17025 Laboratory quality **3**	*ISO/TS 16949 Quality for the automotive industry* **7**
	SA 8000 Social responsibility **9**
	AS 9100 Quality in the aerospace industry **1**

Commitments Assumed and Participation in Entities and Associations GRI 4.12 | 4.13

In 2011, Marfrig participated in the Sustainable Livestock Production Workgroup, which debates and formulates common standards and practices that contribute to the development of more sustainable production in Brazil. The Corporation is also a signatory to the following pacts and commitments:

- Leather Working Group, a group that seeks to develop an environmental performance protocol for cattle producers and to promote sustainability best practices in the leather industry.

- Criteria for Industrial-Scale Operations with Cattle and Beef Products in the Amazon Biome, in partnership with Greenpeace. This program includes the registration of farms, monitoring of native forests and the banning of suppliers involved in deforestation, occupation of indigenous lands and preservation areas, slave labor, illegal land appropriation and rural land conflicts.

- The Sustainable Connections Corporate Pact promotes the financing, production, use, distribution, sale and sustainable consumption of beef products originating from the Amazon Region.

- The Sustainability Pact of Walmart Brazil establishes commitments with its suppliers regarding the sustainable development of the Amazon Region, the reduction of packaging and the development of sustainable production chains.

- The National Pact for the Eradication of Slave Labor in Brazil is an initiative of the Ethos Institute, Social Observatory Institute, NGO Repórter Brasil and International Labor Organization that aims to implement mechanisms that prevent society and the business community from selling products of suppliers employing slave labor.

MARFRIG PARTICIPATES IN VARIOUS FORUMS THAT CONTRIBUTE TO IMRPOVING KNOWLEDGE OF INDUSTRY-RELATED THEMES

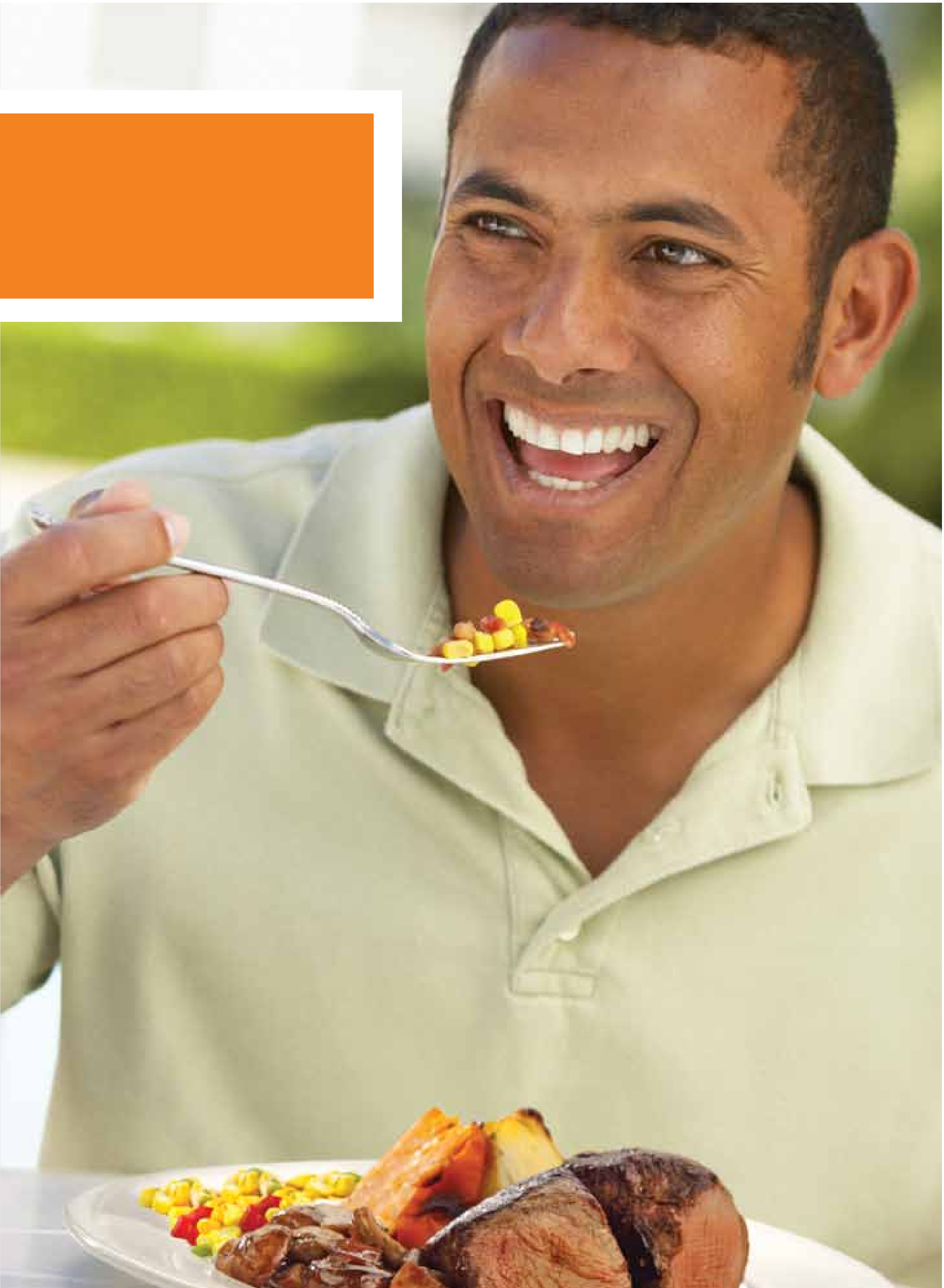
- Integrated Pollution Prevention and Control is a set of standards and obligations that companies established in the European Union must abide by with a view to preventing and reducing air, water and soil pollution.

- The Roundtable on Sustainable Palm Oil is an international organization based in Switzerland that is dedicated to promoting the sustainable development and use of palm oil through credible global standards and the engagement of all the stakeholders in the production chain.

- The Courtauld Commitment Phase 2 is an international agreement between retail chains and the food industry to foster the sustainable use of resources throughout the supply chain in order to reduce carbon emissions.

- Business in the Community is an international network of responsible companies that are committed to building a sustainable future.

- Climate Change Levy is a tax and levy compensation system that seeks to encourage companies established in the United Kingdom to increase their energy efficiency and reduce their carbon emissions.



Entities and Associations

Seara Foods

- Brazilian Poultry and Chicken Export Union (Ubabef)
- Brazilian Association of Pork Producers and Exporters (Abipecs)
- Meat Industry Trade Union (Sindicarnes)

- Federation House Commitment (FHC)
- Roundtable on Sustainable Palm Oil (RSPO)
- Business in the Community (BITC)
- British Poultry Council
- Northern Ireland Poultry Association
- National Turkey Federation
- Food Allergy Research and Resource Program – University of Nebraska
- Global Food Safety Initiative (GFSI)
- Grocery Manufacturers Association

- USA Poultry and Egg Expert Council

Marfrig Beef


Brazil

- Brazilian Association of Meat Exporters (Abiec)
- Brazilian Association Meatpackers (Abrafrigo)
- Brazilian Association of Cleaning Product and Related Producers (Abipla)


Argentina

- Argentine Exporters' Chamber (CERA)
- Santa Fe Province Meatpackers Chamber
- International Meat Secretariat (IMS)


Uruguay

- Uruguay Auto Parts Chamber
- Meatpackers Association (ADIFU)
- Ganaderia Tres Milones Program – German, Russia, Israel and Africa Bilateral Chambers

Relationship Principles

All employees of the Marfrig Group in the countries where it operates must adopt proper and practical professional conduct. This behavior is oriented by the Code of Ethics, which guides the paths, attitudes and commitments of all individuals involved with the Group in the pursuit of proper business conduct and strong internal and external relations.

Marfrig's stakeholders have easy access and knowledge of the Code, and its application is everyone's responsibility, regardless of their hierarchical level. Training and orientation on its use are conducted periodically by the Corporation. The full version of the Code is available on Marfrig's institutional website (www.marfrig.com.br.).

The Corporation also develops and implements various corporate social and environmental responsibility initiatives throughout its production chain in order to ensure the sustainability of its business. As part of this effort, the Corporation created the Marfrig Club, a program that awards conscientious livestock producers on the environmental impacts of their activities and guides them towards achieving modern property certifications for food producers. The Corporation also maintains the Marfrig Sustainability Institute, which was created in 2010 to provide social, cultural, educational, health, safety food and the practice of sports to communities where it operates. The institute sponsors various programs, such as *Fazer e Ser Feliz*, *Minha Casa* and *Parque Dom Bosco*, and supports cancer treatment at the Barretos Hospital, the Ronald McDonald Institute and other initiatives.

Actions firmly based on ethics, disciplined management of sustainability aspects, engagement in industry initiatives and strengthening interactions with stakeholders are the basis for generating sustainable value over the long term and help Marfrig achieve its objective of becoming a global food company.

Thanks to this framework of common values, principles and rules, Marfrig's current process to integrate its businesses is not limited to its operations. In fact, the business segments have been working diligently to build this corporate culture.

In 2011, the Group held its first global sustainability workshop, which strategically aligned the divisions in terms of commitments, strategic plans and the sharing of experiences. In addition, quarterly meetings shared the analysis of key performance indicators (KPIs) among the teams. Meetings such as this allow the units to exchange experiences and align practices.

This union of forces was also evident in the important progress made on the Group's transparency before stakeholders, with initiatives such as publishing the first global inventory of greenhouse gas emissions, being the first in the industry to adhere to the CDP Supply Chain of the Carbon Disclosure Project and launching the internal sustainability portal, which helps manage information and projects, and the Group's new website (www.marfrig.com.br/sustentabilidade). The opinion of stakeholders on all processes is essential for helping Marfrig assess the adequacy and comprehension of its sustainability practices.

The challenge ahead will be continuing this integration effort, promoting diversity and harmoniously including regional cultures into the Corporation's day-to-day activities.

Economic-Financial Performance

In 2011, Net revenue was R$21.9 billion, or 37.8% higher than the R$15.9 billion in 2010, while organic net revenue growth (compared with pro-forma net revenue in 2010, i.e., including the acquired companies) was 12.1%.

Marfrig continued to advance its strategy of increasing the share of higher-value products in its total sales, which reached 37.4% in 2011, compared to 28.0% in 2010. Marfrig's medium- and long-term goal is to have 50% of its net revenue coming from higher-value products.

Other economic-financial highlights were the capturing of R$201.4 million in synergies from the Seara Brasil operation and the generation of R$1.8 billion in EBITDA, or 18.1% more than in 2010.

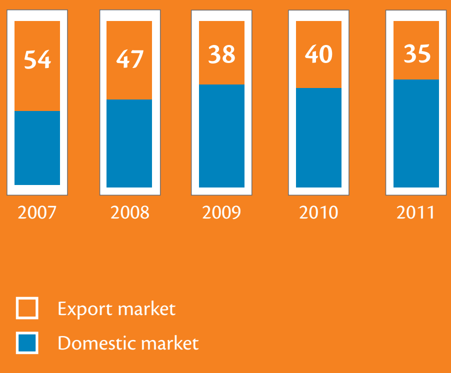
The Corporation also implemented strict controls on investments and working capital, as well as various initiatives to obtain operational enhancements, such as the organizational restructuring, optimizing its industrial facilities by diluting fixed costs at plants and improving its raw material purchasing.

Consolidated Analysis

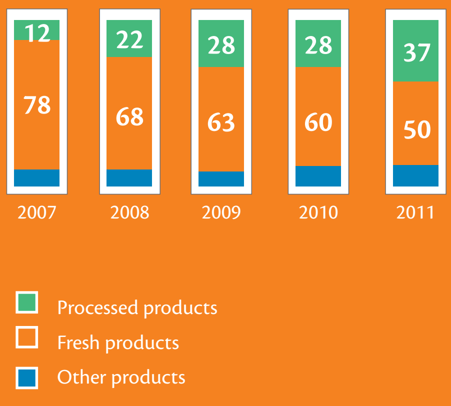
Net Operating Revenue
The Marfrig Group recorded net revenue of R$21.9 billion in 2011, 37.8% more than the R$15.9 billion recorded in 2010. Net revenue growth was mainly driven by:

- the increased share of higher value products in the Corporation's sales mix;
- the growth of Seara in the Brazilian domestic market;

Net Revenue by Market (%)



Net Revenue by Segment (%)



• the solid performances in the international operations of Seara Foods (Moy Park and Keystone);
• the higher beef prices in Brazil's domestic market;
• the good performance of the food service channel.

Organic revenue growth, i.e., compared to the pro-forma base in 2010, which includes the companies acquired in the year, was 12.1%.

Domestic sales accounted for 65% of consolidated revenue in 2011, up from 60% in 2010, which indicates that domestic market conditions have remained favorable. The share of export sales decreased to 35.3%, compared to 40.2% in 2010, reflecting the better conditions in domestic markets and the strong Brazilian real through September 2011.

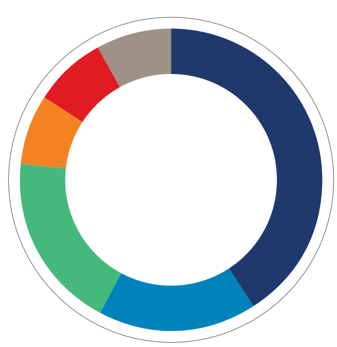
Europe remained the main destination of the Group's exports, followed by Asia and the Middle East, with the focus maintained on exporting to the most profitable regions.

Main Export Destinations

2011

40.6 Europe
19.3 Asia
16.7 Middle East
8.9 Russia
7.6 Central/South America
6.9 Other

2010



41.0 Europe
16.9 Asia
18.8 Middle East
7.5 Russia
8.0 Central/South America
7.8 Other

Cost of Goods Sold (COGS)

COGS increased 41.2%, from R$13.3 billion in 2010 to R$18.7 billion in 2011, in line with the revenue growth in the period and also reflecting the higher prices of key raw materials, such as cattle and grains, and the organic growth at the Seara Foods segment.

Raw materials, which include cattle and inputs for feed (grains), remain the main component of COGS, accounting for 66.7% in 2011, in line with 2010.

Marfrig Beef accounted for 32% of total COGS, while the acquisition of cattle and carcasses corresponded to around 82% of the segment's COGS. Seara Foods accounted for 68% of total COGS, while purchases of grain and inputs for feed corresponded to around 65% of the segment's COGS.

COGS *(in R$ million)*

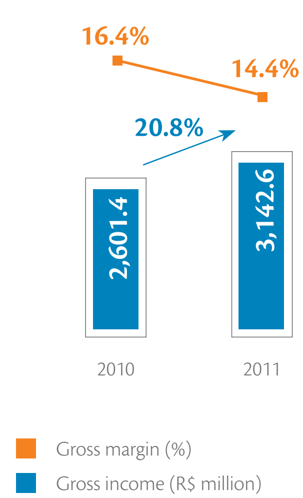
	2011	%	2010	%	Change % 2011 x 2010
Raw Materials	(12,492.1)	66.7	(8,752.7)	65.9	42.7
Packaging	(721.2)	3.8	(549.9)	4.1	31.2
Electricity	(142.8)	0.8	(157.5)	1.2	(9.4)
Direct expenses and direct labor	(4,536.6)	24.2	(2,973.9)	22.4	52.5
Indirect expenses and indirect labor	(848.5)	4.5	(670.6)	5.1	26.5
IFRS adjustments	(1.1)	0.0	(172.3)	1.3	N/A
Total	**(18,742.3)**	**100.0**	**(13,276.9)**	**100.0%**	**41.2**

Gross Income and Gross Margin

In 2011, gross income was R$3.1 billion, up 20.8% from R$2.6 billion in 2010. Gross income growth was driven by the organic growth in sales revenue and the better sales mix, with the increased share of higher-value products.

Gross margin was 14.4%, down from 16.4% in 2010, primarily driven by the higher raw material costs, the Brazilian real appreciation to mid-September and the inflationary pressure in certain countries where the Corporation operates.

Gross Income and Gross Margin (%)



Operating Expenses

In 2011, selling, general and administrative (SG&A) expenses, excluding other operating income and expenses, were R$2.3 billion, increasing 15.9% from R$1.9 billion in 2010, which is explained by the Corporation's organic growth and by the expenses with marketing and advertising associated with the development of the group's brands. SG&A expenses represented 10.4% of net revenue in 2011, down from 12.4% in 2010, due to the rigorous control of expenses and the important synergies captured from the integration of structures from other units.

EBITDA and EBITDA Margin

In 2011, Marfrig's consolidated EBITDA reached R$1.8 billion, for growth of 18.1% from R$1.5 billion in 2010. The growth in EBITDA and EBITDA margin was driven by the operational improvement at both Seara Foods and Marfrig Beef due to the measures implemented over the year, as previously mentioned, and to the higher share of higher-value processed products in the sales mix.

EBITDA Reconciliation *(in R$ million)*

	2011	2010
Net income (loss)	**(746.0)**	**146.1**
(-) Provision for Income and Social Contribution taxes	530.0	411.6
(-) Net financial charges	(1,528.2)	(1,042.2)
(-) Net exchange variation	(780.7)	(105.0)
(+) Depreciation/amortization	741.5	626.7
(-) Non-controlling interest	0.7	6.0
EBITDA	**1,773.7**	**1,502.5**

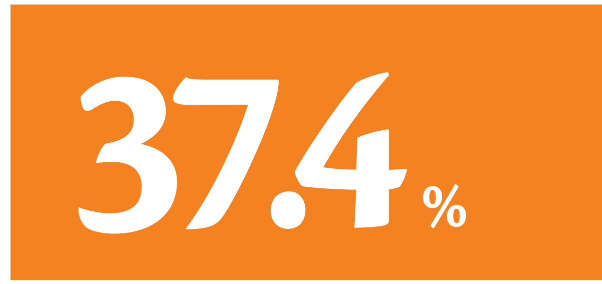
EBITDA margin stood at 8.1%, compared to 9.5% in 2010. The lower margin reflects the appreciation in the Brazilian real, which adversely affected exports, the higher grain and cattle prices and the inflationary pressure in certain countries where Marfrig operates.

Financial Result

In the year, Marfrig posted net financial expenses of R$2.3 billion, compared to R$1.1 billion in 2010.

In 2011, the Corporation recorded a net exchange loss (non-cash) of R$780.7 million, compared to a loss of R$105.0 million in 2010, due to the 12.6% average appreciation in the Brazilian real against the U.S. dollar in the year. Interest expenses increased by 71.1% in the year, reflecting the increase in net debt generated by the investments in working capital caused by the higher raw material costs and the funding operations carried out in the year.

Marfrig does not contract leveraged operations involving derivatives or similar instruments. The operations are designed to provide minimum protection against its exposure to other currencies, in accordance with its policy of not contracting operations that could jeopardize its financial health. The net loss with market operations is explained by hedging instruments, as described in Note 31 to the financial statements included herein.



Financial Result (R$ million)

	2011	2010	Change % 2011 x 2010
Financial Income	**398,837**	**253,585**	**57.3**
Financial Income from derivatives	122,218	50,299	143.0
Interests received, income from financial investments	248,744	190,035	30.9
Discounts, other	27,875	13,251	110.4
Exchange gains	**564,983**	**282,714**	**99.8**
Total financial income	**963,820**	**536,298**	**79.7**
Financial expenses	**(1,927,054)**	**(1,295,787)**	**48.7**
Provisioned interest	(965,264)	(656,402)	47.1
Interest on debentures	(401,864)	(132,000)	204.4
Interest on leasing	(26,520)	(25,886)	2.5
Derivatives	(379,625)	(300,490)	26.3
Bank fees, commissions and charges	(116,455)	(102,080)	14.1
Other	(37,326)	(78,929)	(52.7)
Exchange loss	**(1,345,692)**	**(387,754)**	**247.0**
Total financial expenses	**(3,272,746)**	**(1,683,541)**	**94.4**
Net financial result	**(2,308,926)**	**(1,147,242)**	**101.3**

IN 2011, MARFRIG CONTINUED TO IMPLEMENT ITS STRATEGY TO INCREASE THE SHARE OF HIGHER-VALUE PRODUCTS

Net Income and Net Margin

The Corporation recorded a net loss of R$746.1 million in 2011, compared to net income of R$146.1 million in 2010. The result was driven chiefly by the exchange appreciation on the portion of debt denominated in U.S. dollar (non-cash, of R$780.7 million). Marfrig's strategy of diversifying across geographic regions and animal proteins, combined with its globalized production platform and focus on higher-value products, is based on profitability levels that are sustainable over the medium to long term.

Cash Flow

The improvements in cash flow from operating activities in the year were due to the ongoing adjustments in working capital management, coupled with the lower volume of investments (CAPEX) and better use of the balance of recoverable taxes resulting from the increased share of higher-value products in sales revenue in Brazil.

Capital Structure

Marfrig's strategy to manage its long-term capital structure is based on lengthening its debt profile and reducing its weighted average cost of operations, in addition to deleveraging. Therefore, the Corporation maintains a conservative cash profile and rigorous control over working capital needs, pursuing a balance between working capital and financial structure.

The Group's strong growth in recent years has been supported by a high leverage ratio, which over the past six years has remained at an average 3.40 times (net debt/LTM EBITDA). At the end of 2011, the leverage ratio was 4.45 times, with total consolidated debt standing at R$11.4 billion, 21.6% of which maturing in the short term, at a weighted average debt service cost of 8.01% p.a.

Total cash and financial investments available at the end of the period were R$3.5 billion, which is sufficient to cover 1.5 times the short-term debt.

In terms of currency, 24.3% of the gross debt was denominated in Brazilian real and 75.7% in other currencies, in line with revenue generated in currencies other than the Brazilian real in 2011, which represented 74.3% of the total.

In the year, Marfrig concluded the subscription and payment of the third Issue of Non-Convertible Debentures of the Corporation. A total of 598,200 debentures were subscribed, with a nominal unit value of R$1,000.00. Also in 2011, Marfrig concluded a US$750 million international issue of 7-year bonds with a coupon of 8.375% per annum.

The stability in the Corporation's ratings of its credit risk and debt issues confirms the market's confidence in Marfrig's financial solidity. In 2011, Fitch Ratings reaffirmed its foreign and local currency credit rating for Marfrig of B+, with a stable outlook. Meanwhile, the rating agencies Moody's and Standard & Poor's reaffirmed their respective B1 and B+ ratings, but revised their long-term outlooks to negative, which came in a year marked by a challenging macroeconomic scenario, with high commodity prices and international demand impacted by the global economic crisis.

Capex

In 2011, investments were concentrated mainly in the first half of the year, given the projects begun in the prior year. A total of R$946,500 was invested primarily in modernizing and automating the production lines for processed and elaborated products, in maintenance and in renewing the breeding stock.

Statement of Value Added **GRI EC1**

In 2011, Marfrig generated R$5.7 billion in value added, or 24.9% more than the R$4.5 billion in 2010.

Most of the value added distributed in the year was distributed to providers of capital, or 55.5%, compared to 44.3% in the prior year. The increase is explained by the higher interest expenses and net debt in the year.

Employee profit sharing increased from 41.5% of total value added in 2010 to 46.0% in 2011, driven by the higher number of employees compared to the previous year. Taxes, fees and contributions accounted for 11.6% in the period, compared to 11.0% in 2010. Lastly, the value distributed to shareholders, which had accounted for 3.2% in 2010, accounted for negative 13.1% in 2011 due to the net loss in the period.

Distribution of Value Added *(in R$ million)*

	2011	**2010**
Distribution of value added	5,710,686	4,572,797
Employees	2,627,079	1,896,791
Taxes, fees and contributions	662,084	504,677
Value distributed to providers of capital	3,168,206	2,025,235
Value distributed to shareholders	(746,683)	146,094

Seara Foods

The year 2011 marked the integration of the operations of Keystone Foods and O'Kane Poultry (both acquired in late 2010) into the international operations of Seara Foods, which advanced the Corporation's strategy of becoming a global food company, increasing the share of higher-value products in its sales mix and focusing on operational excellence and customer service.

In Brazil's domestic market, the Corporation made a series of efforts in the year to optimize its production and management processes by expanding its lines of higher-value products, increasing investments in marketing, in the Seara brand and in the logistics operation, expanding the availability of products and strengthening its relationship with consumers.

Consolidated net operating revenue at Seara Foods was R$14.2 billion in 2011, for growth of 58% from 2010. The segment accounted for 65.1% of the Corporation's total revenues in the period.

Synergy gains captured in the Seara Brasil operations came to R$201.1 million in the year, or 0.5% higher than projected.

Income Statement of Seara Foods (in R$ million)

	2011	2010	Change % 2011 x 2010
Net operating revenue	**14,237.4**	**9,013.5**	**58.0**
Cost of goods sold	(12,428.4)	(7,572.2)	64.1
Gross profit	**1,809.0**	**1,441.3**	**25.5**
% of gross margin	12.7	16.0	(328 bps)
Selling, general and administrative expenses	(1,504.9)	(1,276.5)	17.9
% of net revenue	(10.6)	(14.2)	360 bps
Operating income (expenses)	**(1,338.8)**	**(909.8)**	**47.1**
Selling	(975.8)	(966.3)	1.0
General and administrative	(529.1)	(310.2)	70.6
Other operating income (expenses)	166.1	366.7	(54.7)
EBITDA	**1,086.5**	**998.4**	**8.8**
EBITDA margin	7.6%	11.1%	(380 bps)

Throughout the year, a total of 77 new Seara products were launched, which not only increased the brand's share in the Brazilian market, but also helped expand its international presence in South America, Europe, Asia and the Middle East.

Seara Brasil's exports delivered a solid performance, especially as of the third quarter of 2011, driven by the depreciation of the Brazilian real against the U.S. dollar. Marfrig's market share of Brazilian chicken exports was 22.2% in the year, compared to 20.5% in 2010. Meanwhile, market share of the country's pork exports was 15.0%, up from 12.9% in 2010.

In the year, the Corporation processed 643.3 million chickens in Brazil, virtually stable compared to 2010, and corresponding to 12.5% of total chicken slaughter in the country. In pork, the Corporation accounted for 8.9% of total slaughter activities in Brazil, with 2.7 million hogs processed in the year. In the international operations, chicken processing grew 56.8%, explained by the effects from the Keystone Foods operations, as well as by organic growth. The U.S. operations accounted for 175.9 million processed chickens, up 286.9% from the prior year, while Europe accounted for 179.3 million, and Asia, Pacific, Middle East and Africa (APMEA) accounted for 13.0 million, with the launch of slaughter operations in China.

Operations in Brazil and Europe jointly produced 6.2 million turkeys, up 2.9% on the 6.0 million birds registered in 2010.

Production of Seara Foods *('000 head)*

	2011	2010	Var. % 2011 x 2010
Chickens – Brazil	643,305.4	649,277.9	(0.9)
Chickens – Europe	179,275.9	189,206.4	(5.2)
Chickens – USA	175,946.9	45,477.7	286.9
Chickens – APMEA	13,032.7	-	N/A
Total chickens	1,011,560.8	883,961.9	14.4
Total hogs	2,753.5	2,624.9	4.9
Total turkeys	6,164.1	5,991.0	2.9

With the objective of increasing the production capacity of processed and elaborated products and strengthening Seara's position in Brazil, on December 8, 2011, Marfrig signed a binding agreement with Brasil Foods S.A. establishing the exchange of the assets listed in the Performance Commitment Agreement (TED – *Termo de Compromisso de Desempenho*). The assets arising from the transaction (ten production units and eight distribution centers) represent an increase of around 150% in Seara's installed production capacity of higher-value products, as well as an increase of 50% in its pork processing capacity and of 24% in chicken processing capacity.

The agreement also significantly improved Seara's potential for increasing its market share, increasing the number of clients and points of sale where its products are available and increasing the scope and reach of its distribution network.

On the international front, in 2011, Keystone Foods formed two joint ventures in China with local companies:

• COFCO Keystone Foods Supply Chain Investment Company (45% Keystone/55% COFCO), for the construction of six distribution centers in strategic cities in China as of 2012;

• Keystone-Chinwhiz Poultry Vertical Integration (60% Keystone/40% Chinwhiz), for the creation of a vertically-integrated poultry chain with daily production capacity of 200,000 birds.

Lastly, in line with its strategy of focusing on its core business, in 2011 the Corporation accepted a proposal to sell the specialized logistics services of Keystone Foods in the USA, Europe, the Middle East, Asia and Oceania to The Martin-Brower Company, for US$400 million, which was received upon the conclusion of the transaction in May 2012. Marfrig believes that the resulting focus on its protein business will add more value to clients in the fast food market.

Marfrig Beef

In 2011, the beef operations faced the effects caused by the slow recovery of cattle herds both in Brazil and internationally, which resulted in the reduced availability of cattle for slaughter and pressure on raw material costs, and by the exchange rate, which was also less favorable for exports between January and September. Given this scenario, in order to align production with variations in demand while pursuing maximum operating profitability, the Corporation implemented several operational adjustments through which it reached a consolidated capacity utilization rate of 66%, compared to 65% in 2010.

At the end of the year, nine plants were temporarily closed, seven of which in Brazil, one in Argentina and one in Uruguay. Production was transferred to other industrial units, optimizing the use of the industrial facilities in South America, which diluted costs and improved performance.

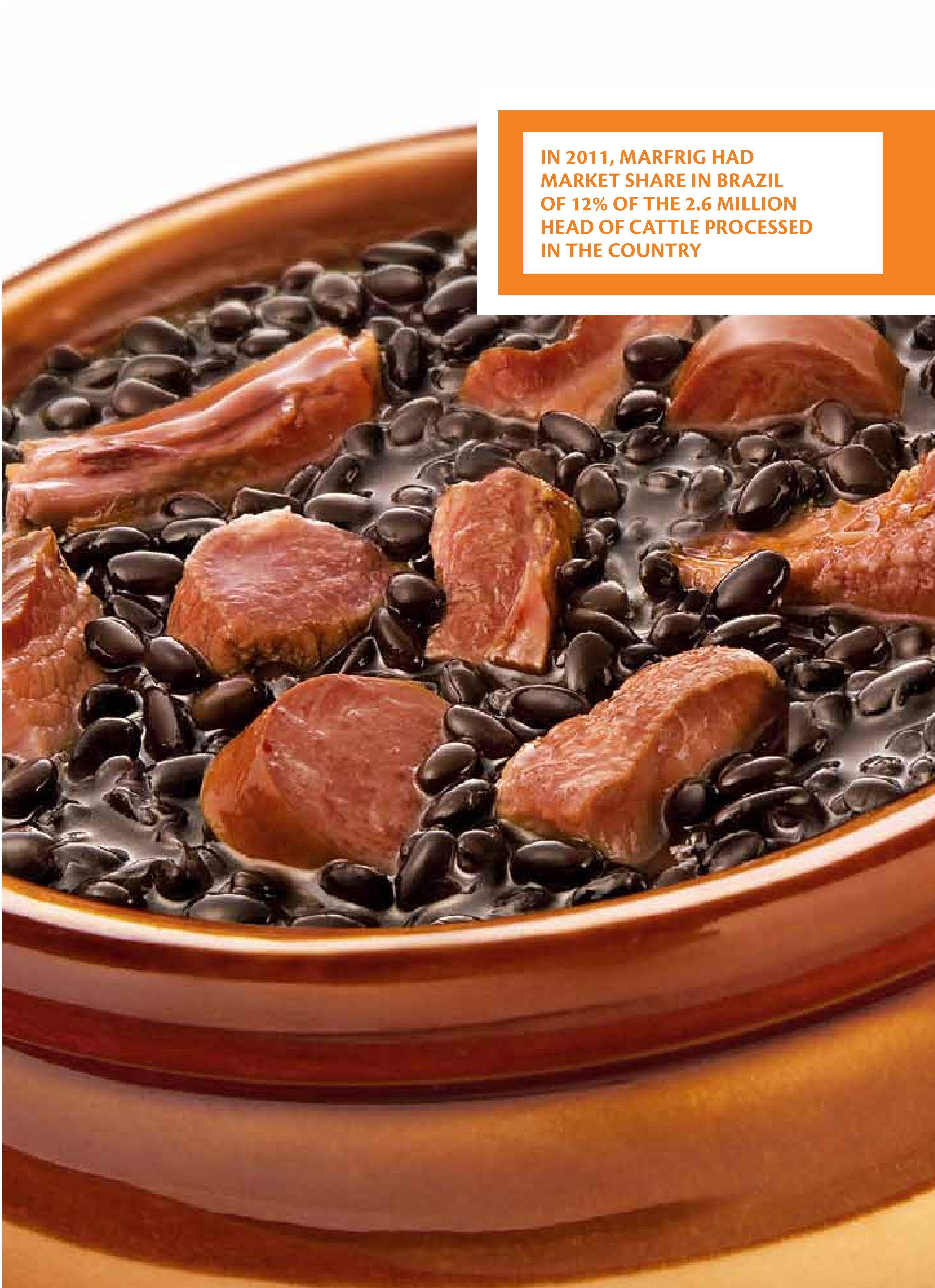
The Corporation also unified the organizational structure of the beef operations in Brazil, Argentina, Chile and Uruguay under the Marfrig Beef segment in order to improve efficiency and reduce commercial, industrial, logistics and administrative expenses.

Consolidated net operating revenue at Marfrig Beef was R$7.6 billion in 2011, for growth of 11.4% from 2010. The segment accounted for 34.9% of the Corporation's total revenues.

Income Statement of Marfrig Beef *(in R$ million)*

	2011	2010	Change % 2011 x 2010
Net operating revenue	**7,647.5**	**6,865.0**	**11.4**
Cost of goods sold	(6,313.6)	(5,704.8)	10.7
Gross profit	**1,333.6**	**1,160.2**	**14.9**
% of gross margin	17.4	16.9	50 bps
Selling, general and administrative expenses	(779.2)	(693.7)	12.3
% of net revenue	(10.2)	(10.1)	(10 bps)
Operating income (expenses)	**(771.6)**	**(815.9)**	**(5.4)**
Selling	(511.6)	(441.2)	16.0
General and administrative	(267.7)	(252.5)	6.0
Other operating income (expenses)	7.7	(122.2)	(106.3)
EBITDA	**687.3**	**504.1**	**36.3**
EBITDA margin	9.0%	7.3%	170 bps

IN 2011, MARFRIG HAD MARKET SHARE IN BRAZIL OF 12% OF THE 2.6 MILLION HEAD OF CATTLE PROCESSED IN THE COUNTRY



12%

The average market share of Marfrig's beef exports (US$) was 19.0% in 2011 (with a peak in April of 25.8%), versus 18.1% the year before. Due to the strong demand in Brazil, part of the volume to be exported in the year was rerouted to the domestic market in the third and fourth quarters.

In 2011, 2.6 million head of cattle were processed in Brazil, down 2.7% from 2010, virtually in line with the 1.8% reduction in total slaughter volume in Brazil. Marfrig had market share of 12% in Brazil (considering only cattle inspected by the Ministry of Agriculture, Livestock and Supply), virtually in line with the 12.1% in the prior year.

In Argentina and Uruguay, processing contracted by 3.6% and 10.9%, respectively, due to the market conditions in these countries and the higher finished cattle prices.

***Production of Marfrig Beef*[1]** *('000 head)*

	2011	2010	Var. % 2011 x 2010
Beef – Brazil	2,582.1	2,652.7	(2.7)
Beef – Argentina	549.2	569.6	(3.6)
Beef – Uruguay	448.2	503.2	(10.9)
Total beef	3,579.50	3,725.5	(3.9)
Lamb – Uruguay	54.1	98.3	(45.0)
Lamb – Chile	161.1	163.3	(1.3)
Lamb – Brazil	118.5	64.4	84.0
Total lamb	338.7	326.0	2.4

[1] Includes only the number of head slaughtered, excluding carcass purchases.

Capital Markets

On December 31, 2011, Marfrig's capital stock was R$4 billion, represented by a single class of 346,983,954 common shares.

Marfrig's stock is listed under the ticker MRFG3 on the Novo Mercado listing segment of the Brazilian Stock Exchange (BM&FBOVESPA) and is also a component of the following stock indexes:

Marfrig stock liquidity and trading volume have been increasing significantly over the years. Since its IPO, average daily trading volume has increased more than seven-fold, from 419,000 shares in 2007 to 3.4 million shares in 2011.

The average daily financial volume of Marfrig stock was R$32.1 million in 2011. Marfrig stock was quoted at R$8.54 at the close of 2011, for a decline of 44.7% from 2010.

In terms of accessibility to investors, since 2010, Marfrig has had a Level 1 American Depositary Receipts (ADRs) program (Code: MRRTY), which makes It easier for foreign investors to invest In the Corporation's stock.

With regard to investor relations, Marfrig participated in a number of conferences in both Brazil and abroad and held public meetings and conference calls with investors and analysts that widely disseminated the message of the Corporation's Management and helped improve the market's understanding of its business.

In this effort, the Investor Relations (IR) department has the important task of effectively communicating with the market by providing information that meets the expectations of the Corporations' stakeholders and further strengthens its relations with capital markets.

The team uses a Customer Relationship Management (CRM) tool that integrates data on stock ownership and on interactions with stakeholders. Moreover, the investor relations website (www.marfrig.com.br/ir) offers shareholders, investment analysts, the financial community and the general market the opportunity to quickly and easily view all material information pertaining to Marfrig in an easy and fast manner.

In 2011, Marfrig consulted various market agents to identify gaps that could be improved in its disclosure of information to the market. Based on this survey, the Corporation implemented improvements to its financial statements, including, among other measures, better disclosure of financial income and expenses and detailed information on each business segment.

The consolidated financial statements of the Corporation and its subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRS), as required by the International Accounting Standards Board (IASB). With regard to the impacts from the first-time adoption of IFRS, there were no material changes in accounting practices in 2011.

Thinking about Tomorrow (Environmental Performance)

The Marfrig Group takes environmental principles into consideration in its activities and creates opportunities to adopt sustainable practices in all industrial, commercial and service areas, aiming to become a reference in sustainability in its industry.

The Corporation works to rationalize the use of natural resources, including the land, water and air. It constantly monitors and pursues technological alternatives to rethink its use of these resources and to reduce, reuse and recycle inputs and materials.

In 2011, the Group, through Marfrig Beef and Seara Foods, invested R$58.9 million in environmental programs and initiatives. The table shows the types of initiatives and the amount invested by business segment in environmental prevention, maintenance and compensation.

Breakdown of Environmental Investments *(R$ million)* **GRI EN28 | EN30**

	Marfrig Beef	Seara Foods	Consolidated
Total investment in environmental prevention actions	9.3	18.9	28.2
Total investment in environmental maintenance actions	1.6	27.8	29.4
Total investment in environmental compensation actions	1.3	-	1.3
Total	**12.2**	**46.7**	**58.9**

19%

Bio-digester System

At the Seara division, two units have bio-digesters to produce biogas. The Diamantino Unit (Mato Grosso state) has one of the largest systems in Brazil to treat hog waste, with gas production of 12,000 m^3/day, with 300 kW/h of electricity generated from the burning of gas output. This energy supplies the entire complex, which includes the complete cycle of the chicken farm and the feed plant, with the potential to increase energy generation even further. The Frederico Westphalen Unit (Rio Grande do Sul state) has a biogas production capacity of 240 m^3/day.

At the Brazil Beef division, five units have bio-digesters to produce biogas, with the following capacities: 2,400 m^3/day of biogas at Bataguassu; 2,400 m^3/day of biogas at Tangará da Serra; 800 m^3/day of biogas at Porto Murtinho; 1,600 m^3/day of biogas at Promissão I; and 800 m^3/day of biogas at Promissão II.

Through these projects, the group confirms the progress in its strategy, which includes not only treating waste, but also generating energy, which in 2011 resulted in 19% of all waste generated by the Group being processed by bio-digesters.

The Promissão II unit purifies the biogas, which consists of isolating methane (CH_4) from other components of the biogas (CO_2 and H_2S). This reduces CO_2 emissions into the atmosphere and also increases its energetic potential. As a result, the unit consumes some 400 m^3/day of CH_4, which is used as fuel for the boiler.

Waste Treatment GRI EN21

All industrial units of the Marfrig Group have waste treatment systems that ensure the reuse or return of water in adequate conditions to the environment. In 2011, the Marfrig Group disposed of 38,430,975.96 m^3 of treated waste, always maintaining an efficiency rate above 90% of pollutant removal.

Effluents

	2011	
	Volume (m^3)	Chemical oxygen demand (kg)
Marfrig Beef	11,141,293.92	5,575,047.77
Seara Foods	27,289,682.04	6,007,363.67
Consolidated	**38,430,975.96**	**11,582,411.43**

THE MAJORITY OF MARFRIG'S EMISSIONS ORIGINATE IN ITS SUPPLY CHAIN. WITH THIS IN MIND, THE GROUP HAS FORGED CLOSER RELATIONSHIPS WITH ITS SUPPLIERS

Emission GRI EN16 | EN17

The Marfrig Group was the first company in the Animal Protein Food industry in the world to calculate and disclose greenhouse gas (GHG) emissions for its entire production chain. The Corporation considers global climate change one of the main fronts in the area of sustainability.

As such, it adopts a consistent and responsible position on the theme, participating regularly in the global initiatives Carbon Disclosure Project (CDP) and Forest Footprint Disclosure Project (FFD), which are platforms with the highest level of international recognition on the matter. In Brazil, it participates in the Brazilian GHG Protocol Program. Marfrig was recognized by the FFD as the food company that has made the most progress in managing forest risks in 2011.

The GHG Emission Inventory has already been prepared at the global level for scopes 1 and 2, as disclosed on the platforms CDP and the Brazilian GHG Protocol Program (www.registropublicodeemissoes.com.br). For these scopes, the Group's target is to reduce its emissions 30% by 2020 compared to 2010 in terms of GHG intensity in relation to production by weight.

In 2011, the inventory was marked by the expansion of scope 3 to its full extent in order to include emissions from the production of the main services and raw materials. These emissions include components of animal feed, such as corn and soybean, emissions from enteric fermentation from cattle and lamb, and logistics for materials and products involved in the chain.

The result of the 2011 inventory showed that more than 95% of the emissions come from scope 3, which is the supply chain of products and services. For this reason, the Marfrig Group has already begun a process to forge closer relationships with its main suppliers through another global platform, the Carbon Disclosure Project - Supply Chain, which involves more than 50 companies formed by manufacturers, rural producers and logistics operators.

The new scope of the 2011 Inventory was certified by the international certification company SGS. In addition to serving as the basis for the Corporation's policy to reduce its emissions and those of its products, given its unprecedented nature, the inventory represents a major contribution to the global food industry and to society.

Key figures from the GHG Inventory

The Marfrig Group recorded 798,606 tCO_2e in direct emissions and 370,872 tCO_2e in indirect emissions from energy, totaling 1,169,477 tCO_2e under scopes 1 and 2. Scope 3 totaled 22,562,336 tCO_2e.

In addition, the Group registered 709,639 tCO2e in emissions from renewable sources under scopes 1 and 2 in 2011, due to the accumulated efforts until this year to reduce the environmental impacts of its operations. Some 38% of greenhouse gas emissions are avoided under these scopes.

In addition, electricity was acquired in the year through direct contracts with renewable generation sources equivalent to 18,613 tCO_2e of avoided emissions. Lastly, the Group's forestry activities removed 29,065 tCO_2e from the atmosphere.

tCO_2e

	Scope 1	Scope 2
2010	894,956	474,134
2011	798,606	370,872
Change	(96,350)	(103,262)

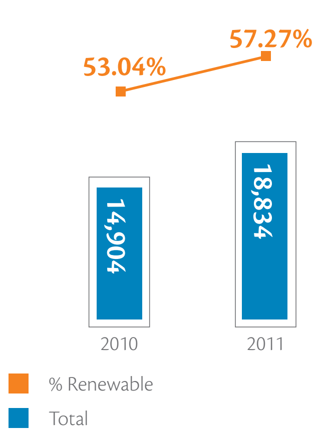
The change in emissions under scopes 1 and 2 in 2011 compared to 2010, taking into consideration the 2.8% increase in the Group's production volume in tons, registered a decrease of 15.32%[1]. **GRI EN18**

Marfrig also conducts measurements of the emissions of ozone-depleting substances (CFC). In the Group's industrial units, this gas is used in the industrial cooling system of certain pieces of equipment and in the air conditioning systems. In 2011, the Corporation reported the emission of 871.46 kg of CFC substances in its operations. **GRI EN19**

Emissions of ozone-depleting substances *(kg CFC-11e)*

Marfrig Beef	110.34
Seara Foods	761.12
Consolidated	871.46

Consolidated Energy Consumption *(GJ)*



Note: The increase in energy consumption is related to the incorporation of new units into the Group.

Energy Consumption **GRI EN3 | EN4 | EN7**

In 2011, the Group consumed 12,594,104.34 GJ of direct energy and 6,240,182.21 GJ of indirect energy, totaling 18,834,286.55 GJ of energy consumed. In direct energy, renewable sources corresponded to 54.27% of total consumption, distributed as follows: 7,344,603.04 GJ from forests, 759,190.68 GJ from sugarcane bagasse, 5,532.95 GJ from ethanol, 141,700.27 GJ from biodiesel, 167,520.86 GJ from rice hulls, 207,991.06 GJ from lard and 67,617.08 GJ from CH_4 gas in bio-digesters. Of the remaining 31.4% from non-renewable sources, 1,620,857.19 GJ come from pure diesel, 955,354.37 GJ from natural gas, 549,476.53 GJ from LPG, 494,741.36 GJ from BPF, 234,234.18 GJ from shale oil and 45,284.77 GJ from other sources.

In 2011, the Group made a series of initiatives in its divisions to reduce energy consumption. At Marfrig Beef, a biomass boiler was installed at the Promissão Unit (São Paulo state) and the operation in Uruguay started to use its own vehicles to deliver products, which optimized routes.

At Seara Foods, Keystone Foods installed condensers and automated systems, which reduced indirect energy consumption by 1.3%. Moy Park began using an ecological vehicle fleet that contributed to a 16.6% reduction in indirect energy consumption.

In addition, in 2011 Marfrig received approval from the Brazilian Electric Power Agency (Aneel) to operate its own energy trading company, called MGF Energia. This initiative aims to reduce operating costs and increase the Corporation's energy efficiency.

[1] The main components of the reduction in GHG emissions were: 2.67% reduction from projects to replace fossil fuels by renewable fuels in boilers, improve waste treatment and increase efficiency in various areas; 1% reduction from the implementation of general guidelines to reduce carbon emissions; 5.33% reduction from improvements in inventory accuracy; and 6.32% reduction from combined fluctuations of the amount of electricity consumed in various countries, with their respective emission factors.

Water Consumption GRI EN8 | EN10

Water is a strategic natural resource for the Marfrig Group's operations. Accordingly, the Corporation optimizes the use of this resource in its industrial operations and also has effluent treatment systems that return the water to the environment in equal or better conditions than when it was captured.

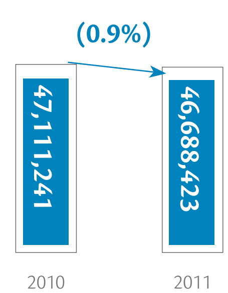
The Corporation prioritizes water reuse projects at its units. At the Frederico Westphalen Unit (Rio Grande do Sul state) the treatment system is composed of physical-chemical, biological and tertiary processes with a Water Treatment Station that resulted in 70% of the plant's water being reused. At the Nuporanga Unit (São Paulo state), the effluent treatment system is composed of physical-chemical, biological and tertiary processes with a Water Treatment Station that resulted in 20% of the plant's water being reused.

In 2011, the Group consumed 46,688,423 m^3 of water, which remained stable in relation to the 47,111,241 m^3 consumed in 2010. Of the total, 19,420,066 m^3 came from surface water, 14,779,605 m^3 from underground water and 11,541,075 m^3 from third parties. Water reuse stood at 2%, equivalent to 947,677 m^3.

Water consumption *(m^3)*

	2011	2010
Marfrig Beef	15,676,799	15,945,173
Seara Foods	31,011,624	31,166,067

Consolidated Water Consumption *(m^3)*



Water Footprint

Marfrig has begun mapping its water footprint, based on the method of the Water Footprint Network, aiming to improve the management of its water resources and become more effective in the sustainable use of water. With this method, Marfrig is able to focus its actions and investments by assessing the entire water consumption cycle, including the production chain, which includes production of raw materials for animal feed, for instance.

This methodology was first used at the industrial facilities in Amparo, São Paulo, a poultry processing unit, and in Bataguassu, Mato Grosso do Sul state, a beef unit. The first results will be concluded in the first half of 2012, which will be followed by the implementation of the methodology at the other units of the Group.

With this, Marfrig becomes the first company in the industry to create a fully detailed water resource management project.

Waste and Recycling GRI EN22

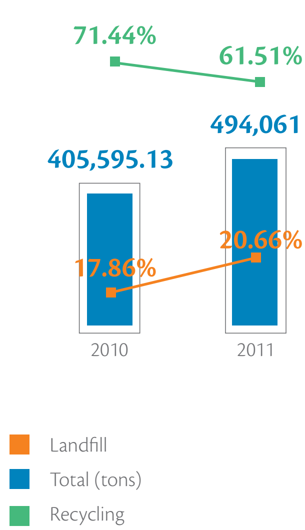
In 2011, the Marfrig Group generated 494,061 tons of waste, which was given the following destinations: 76,311 tons to composting, 5,207 tons incinerated, 303,911 tons recycled, 102,061 tons to landfills, and 6,570 tons of other types of waste. Of the waste sent to landfills, 42,741.98 tons were made of common waste, 55,298.39 tons of sludge, and 4,020.56 tons of hazardous waste. The Corporation recorded revenue of R$4.1 million from the sale of waste.

Waste

	2011			2010		
	Total (tons)	% landfill	% recycled	Total (tons)	% landfill	% recycled
Marfrig Beef	70,911	45.60	40.45	50,271.63	61.30	27.07
Seara Foods	423,149	16.48	65.04	317,799.86	13.10	86.90

Changes in data collection criteria between the years do not allow for a consistent and satisfactory comparison of 2011 data with 2010 data.

Consolidated Waste



Packaging, batteries, glass, plastic and papers, as well as other materials resulting from industrial consumption, are collected at the Corporation's facilities and sent to the recycling industry. In addition to these initiatives, Marfrig is a signatory to industry plans for reverse logistics.

The Corporation also participates in discussions that include Brazil's New Solid Waste Policy, aiming to align its procedures and internal targets with the established principles.

Biodiversity GRI EN14

Amazon Biome

Implemented in 2010, the Social and Environmental Monitoring System of the Amazon Biome provides satellite monitoring of the Amazon Region to combat the use by local cattle suppliers of deforestation and slave labor practices and the occupation of indigenous lands and of preservation and conservation areas.

In addition, Marfrig maintains regular contact with the Brazilian Foundation for Indigenous Peoples (Funai), the Chico Mendes Institute for the Preservation of Biodiversity (ICMBio) and the National Institute of Rural Settlement and Agrarian Reform (Incra) in order to obtain updated information on any conflicts between indigenous peoples and rural producers, legal situations, location of preservation units, potential problems related to cattle production and the normalization of properties in the region.

The Corporation also regularly consults the Federal Prosecution Offices (MPF) of the states of Mato Grosso and Rondônia. In this process, Marfrig requests information on any kind of judgments or convictions related to illegal land appropriation, rural violence, illegal property acquisition, conflicts with indigenous peoples, slave labor practices and any other crimes that place *sub judice* areas destined for livestock production.

The monitoring process as a whole is validated by Det Norske Veritas (DNV), a foundation whose purpose is to preserve life, property and the environment. Since the system was implemented, Marfrig has already blocked 1,354 properties that were not in compliance regarding the occupation of indigenous lands or preservation areas or that had irregularities with the Brazilian Environment and Renewable Natural Resources Institute (IBAMA).

Other relevant measures by the Corporation to promote good environmental practices with suppliers operating in the Legal Amazon include supporting cattle producers in their obtainment of Rural Environmental Registrations, Unified Environmental Licenses or Environmental Licenses for Rural Properties. Through this initiative, 1,283 farms in the state of Mato Grosso and another 122 farms in the state of Rondônia are now licensed or in the process of being licensed.

All cattle purchases in Mato Grosso are made from properties that already have, or are in the process of obtaining, environmental licensing. This measure allows for a greater control over the supply chain and encourages compliance with environmental laws.

Reforestation and Preservation

The Corporation promotes the production of legal timber through reforestation projects by establishing partnerships with rural producers for the production of firewood. As a result, revenue is generated for producers while supply is guaranteed to industrial units. In Brazil, Seara Foods has already delivered 9 million eucalyptus seedlings to more than 800 rural producers.

Marfrig also maintains forests on own and leased areas and all firewood used in industrial processes comes from trees that were either produced or managed legally and in accordance with the standards of sustainable production. The Corporation also promotes research on biodiversity and Brazilian fauna species within its permanent preservation area of 1,270 hectares in the city of Verge Bonita, Santa Catarina.

Organic Production **GRI 4.11**

The partnership between Marfrig and livestock producers that are committed to animal well-being encourages the use of ecologically correct foods that contain no synthetic fertilizers, anabolic steroids, hormones and growth stimulants. In this way, animals are raised outdoors on large tracts of land, which ensures lower intramuscular fat levels and lower cholesterol levels, resulting in lighter and healthier meats.

In Uruguay, Marfrig develops the Ecological Meat program, where specific controls and certifications ensure compliance with international standards through all stages of meat production, from livestock raising to processing.

In Brazil, the Seara Natural line of specialty cuts offers consumers beef from pasture-fed cattle that are part of the Natural Nelore Quality Program (PENN). These animals are created in accordance with standards of animal well-being and social and environmental responsibility, which results in healthier products.

Animal Well-Being

Animal well-being is a priority at Marfrig. That is why the Corporation is constantly intensifying its work in this area, since it believes animals should be treated with respect throughout their life cycles.

The Group's units have modern equipment to hold and stun animals, in accordance with the rational handling process. All units have zootechnicians, agricultural engineers, veterinarians and other professionals that ensure proper animal care. In addition, Marfrig's animal well-being team is made available to producers to help guide and train cattle handlers regarding rational handling.

Aware of their responsibility in minimizing animal suffering, employees are regularly trained on the subject, which complements the Group's other initiatives.

Building Today (Engagement)

The Marfrig Group develops and implements various initiatives in the area of corporate social and environmental responsibility throughout its production chain with the objective of guaranteeing the sustainability of its business and strengthening its commitment to society.

Cultural, educational, health, food safety and sports projects are offered to its stakeholders, which include suppliers, partners, clients, consumers, employees and society. The Corporation's values include respect, promoting dialogue and building relationships based on trust with each group of stakeholders.

Suppliers **GRI HR6 | HR7**

Marfrig's relations with its suppliers are based on respect, solid relationships and on-time payments. The Corporation requires from all of its suppliers commitments to ethics, food safety and environmental preservation.

A rigorous control system selects suppliers to become one of the Group's qualified partners. The requirements include presenting documents demonstrating the quality of their activities and regular assessments to ensure the safety of the products they supply. Since December 2007, Marfrig has adopted a Code of Ethics that establishes parameters for its relations with suppliers. The rules contained in the Code are presented in meetings with this stakeholder group.

In addition, Marfrig monitors all of its suppliers in the Amazon Region with regard to areas confiscated by the Brazilian Environment and Renewable Natural Resources Institute (Ibama), adequate respect for indigenous peoples, the use of slave labor, preservation areas and deforestation practices. For this, an audit is conducted semiannually based on criteria such as risk identification, assessment and exposure.

The Marfrig Club is a social project organized by the Corporation for its suppliers. The program awards conscientious producers, instructing them on how to achieve the most modern property certifications for food production and awarding animals from farms with good agricultural and management practices.

Through this initiative, Marfrig seeks to encourage good cattle raising practices in Brazil, working with a select group of suppliers that maintain advanced structures and processes to meet the strictest demands of the market.

More than 300 properties in Brazil are periodically visited by Marfrig's technicians and analyzed based on three main criteria: animal well-being (handling, feeding, biosafety, tracking, origin and age), social responsibility (labor laws, housing, schooling and incentives) and environmental responsibility (vegetation, waste, soil and water).

Once all the information is analyzed, the properties receive an international certificate of compliance in accordance with the levels of performance achieved on the items analyzed: Beginner category for suppliers who meet up to 74.9% of requirements, followed by the Bronze, Silver and Gold categories, until reaching the Platinum category for suppliers that comply with at least 95% of the items.

Suppliers that are certified by the Marfrig Club enjoy a series of benefits with various advantages, such as:

- the possibility of participating in other livestock programs of the Group;
- partnerships with companies specializing in animal health and nutrition, services and inputs (starting with the Bronze category);
- premium price for slaughtered animals (Platinum category).

Partners

Seara has an integration program that includes some 5,000 rural property owners that raise poultry and hogs. Through the program, Marfrig transfers to integrated producers a livestock raising system that encompasses facilities and management, technology improvements, technical assistance and raw materials, aiming to increase efficiency, productivity and sustainability throughout the chain. The integration program also provides a monthly income that is indispensable for rural families.

These partners of the Group are awarded for the results they present when fulfilling a number of requirements that include environmental and legal compliance items. Marfrig believes in the importance of continually improving its relationship with partners through technical studies and analysis, and always accompanied by an open dialogue.

Clients and Consumers GRI 4.11 | PR9

Marfrig is dedicated to satisfying its clients and consumers by maintaining a competent management team that is responsible and loyal to their needs and invests in forging long-term relationships. The Group's business model includes a vast distribution network that enables the Corporation to offer clients a complete portfolio of high-quality brands and products and to satisfy consumers around the world. The Group also provides clients and consumer with contact channels to clarify doubts, give suggestions or complain about products and services.

The Group manages the health and safety standards of its products, employing a special research and development method to assess aspects such as: the use of ingredients and additives for food purposes that are authorized by the competent agencies; the use of own raw materials or those from qualified third parties that hold sanitary certifications issued by supervisory agencies; the use of specialize laboratories to validate products before they are marketed; the conduction of periodic sensorial analyses to approve products in terms of their appearance, texture, aroma and flavor. Moreover, all products are tested before marketing, with all packaging displaying instructions on optimum storage and cooking conditions.

In 2011, two of the Corporation's divisions recorded 8 cases of non-compliance regarding impacts caused by products and services in the areas of health and safety. **GRI PR2**

To assess the opinion of clients and consumers regarding the services rendered and products offered and to maintain its prominent position, the Group's divisions conduct assessments and internal audits, as well as other practices. The Corporation also maintains a Customer Service Center to handle suggestions, criticisms and complaints and to provide information. The center can be accessed via the toll-free telephone number 0800-473031 or the e-mail seara.atende@seara.com.br.

Cases of non-compliance with voluntary regulations and codes	Total number of non-compliance cases	Number of cases of regulatory non-compliance resulting in fines or penalties	Value (R$)	Number of cases of regulatory non-compliance resulting in notifications	Number of cases of non-compliance with voluntary codes
Marfrig Beef	0	0	0	0	0
Seara Foods	5	3	98,403	0	0
Consolidated	**5**	**3**	**98,403**	**0**	**0**

Employees

The Marfrig Group considers human capital essential to its business and regularly invests in improving and developing its employees. It offers special programs with no prerequisites and promotes in-company MBA programs jointly with top educational institutions.

It also administers, in partnership with Municipal Education Departments and the agency Social Services to Industry (Sesi), young adult educational programs for employees and their families. The Corporation helps recent graduates enter the labor market through projects such as the internship and trainee programs.

The Group's relationship with its employees and with the agencies responsible for regulating and ensuring compliance with labor laws is guided by its Code of Ethics, which applies to all of the Corporation's units. As of December 31, 2011, 100% of the Group's employees were covered by collective bargaining agreements. **GRI LA4**

Employee compensation is established by the Group's Compensation, Corporate Governance and Human Resources Committee. Marfrig offers competitive salaries that are compatible with the labor market, as well as a stimulating corporate environment that nurtures the development of competencies.

The Code of Ethics also determines the behaviors required from all employees to support proper internal and external human relations, which protects the Corporation's reputation in the conduction of its business and processes. The document is made available to all employees when they join Marfrig and is available for consultation at www.marfrig.com.br.

Marfrig does not tolerate the exploitation of labor, the abuse of power or any kind or disrespect of the dignity of employees. It also provides communication channels to employees who feel harmed by acts related to the Corporation so that they can make denouncements anonymously. **GRI 4.4**

Marfrig's commitments to its employees

1. *Respect, listen to and treat all employees properly and professionally.*
2. *Strive to ensure a safe work environment by committing to adopt the necessary measures to prevent occupational injuries and illnesses.*
3. *Support and encourage employees to participate in actions that promote quality of life and preventive health care.*
4. *Provide at least the minimum conditions to ensure the protection of the environment and the prevention of pollution.*
5. *Act proactively, based on the sustainability strategy, to raise awareness on social, environmental and economic issues.*
6. *Serve as an agent promoting the training, qualification and development of employees.*

Representation GRI LA1 | LA2

(partially met)

At the end of 2011, the Marfrig Group had approximately 85,000 employees in its units worldwide, or 6.7% less than in 2010, due to the operational adjustments made in Brazil (temporary shutdown of plants and reduction of work shifts to optimize capacity).

Of this total, 59% are men and 41% are women. In terms of age, 57% are 35 years old or younger and 43% are aged 35 or older. The Corporation's average monthly turnover is 3.64. All employees are protected by governing law in their countries and in Brazil 100% of the employees work full time and with indeterminate contract durations.

Diversity

Marfrig does not accept any sort of discrimination in the workplace, promotes equal professional opportunities for everyone and respects ethnic and cultural diversity as well as the local characteristics of the places where it operates, declaring this commitment and defining the practices for promoting diversity in its Code of Ethics. The Corporation also develops programs for recruiting, integrating and hiring indigenous peoples and persons with special needs to serve in positions in various areas.

In 2011, Moy Park, which is part of the Seara Foods segment, registered three incidents of discrimination. A reparation plan was implemented and all cases were identified and resolved. In other regions, there were no incidents of discrimination. The Group did not register incidents of violation of the rights of indigenous peoples. **GRI HR4 | HR9**

Health and Safety GRI LA9

Health and safety issues are addressed on a daily basis at Marfrig in order to protect the physical and mental integrity of employees and of the Corporation's assets and to ensure the continuity of production processes and compliance with governing law.

For this, the Corporation rigorously complies with health and safety regulations and works diligently to identify the causes of accidents. Priority is given to actions that promote health and quality of life, such as campaigns for vaccinations, blood donations, prevention of disease and epidemics and educational lectures. The Corporation also regularly conducts campaigns on the prevention of workplace accidents. Production systems are always undergoing improvement and the Group provides employees with the Personal Protective Equipment (PPE) required for their functions.

In 2011, the Marfrig Group's work-related lost-time injury frequency was 15.97, down 28% from 2009 and 17% from 2010, which shows that the Group's initiatives are generating positive results and that the goals and targets set are being achieved.

Number of Accidents Registered GRI LA7

	Consolidated		
	2011	**2010**	**2009**
Fatal accidents[1]	4	0	0
Work-related lost time injury frequency[2]	15.97	19.31	22.15
Work-related lost time disease frequency[3]	5.03	-	-
Days lost due to accidents	50,284	44,613	46,086
Days lost due to disease[3]	32,073	-	-

[1] Two traffic accidents and two operational accidents. In all cases, Marfrig identified the reasons and implemented action plans. The initiatives include inspections and implementation of procedures for each activity and the training of employees involved in maintenance and transport activities.

[2] The work-related lost time injury frequency is per every million hours worked.

[3] Monitored as from 2011.

In Brazil, the Marfrig Group has more than 400 occupational health and safety professionals, such as ergonomists, physicians, nurses, engineers, safety technicians, physiotherapists and speech and hearing specialists.

The Occupational Health and Safety Policy applies to all industrial units and includes regular audits, with 11 units holding OSHA 18001 occupational health and safety certification and the remaining units working towards this certification.

The Marfrig Group also has an Occupational Health and Safety Committee and an Executive Committee that assesses the Group's results in terms of health and safety. Marfrig also participates, jointly with the government, trade unions and manufacturers, on working groups that seek to improve occupational health and safety in industrial activities. In 2011, all employees were represented by these committees and the Group invested R$25 million in this area in Brazil. **GRI LA6**

In addition to employees, the Corporation extends its commitment to the Group's suppliers and outsourced service providers.

Society GRI EC1 | EC8

Marfrig is concerned with maximizing the various actions that contribute to developing the communities where it operates. For this, it carries out initiatives in partnership with institutions and entities and, with the support of its employees, develops a number of social projects. The Marfrig Sustainability Institute is the main vehicle for accomplishing these actions.

Marfrig Sustainability Institute

The Marfrig Sustainability Institute was created at the end of 2010 to benefit certain communities where the Group operates. With the incentive and support of the Corporation, employees volunteer their time to support educational, cultural, sports and other projects.

The Institute has an Executive Committee that meets on a weekly basis to assess the progress of projects and periodically promotes initiatives to raise funds for the projects. In 2011, the Corporation invested R$2.7 million in social projects and actions in communities through the Institute.

One of the main projects is *Fazer e Ser Feliz*. The first *Fazer e Ser Feliz* unit was inaugurated in 2011 in Promissão, São Paulo state and has benefitted more than 30 children aged 6 to 11 in the city through recreational and educational activities that complement their school education.

The project is coordinated by a social assistant, a volunteer coordinator and a general services assistant, and also offers computer, music and dance teachers, orientation on personal hygiene and tutoring classes. Marfrig's plans to expand *Fazer e Ser Feliz* in the coming years to benefit other cities where the Group has agricultural and industrial activities.

Supported by Marfrig, the Ronald McDonald Institute develops a number of volunteer initiatives and sponsors projects to help fighting children's cancer. Likewise, Marfrig supports the Cancer Hospital of Barretos by donating approximately 15 tons of beef per month to the entity, which corresponds to 6,000 meals.

Through the Institute, since 2005, Seara Foods has supported the project *Parque Dom Bosco*, which offers cultural, educational and vocational training activities to thousands of children and young adults in Itajaí, Santa Catarina. These activities have various objectives, such as generating income, teaching music, providing recreation and toys and donating uniforms. Visit www.parquedombosco.org to learn more about the project.

Read about all social projects of the Marfrig Group and the Marfrig Sustainability Institute on the website www.marfrig.com.br/sustentabilidade.

Other Initiatives Supported by the Marfrig Sustainability Institute

Project	Objective	Result
GRAACC COMBATENDO E VENCENDO O CÂNCER INFANTIL	Support treatment for children's cancer at various institutions	2,500 people served monthly through chemotherapy sessions, doctor's visits, ambulatory procedures, surgeries, bone marrow transplants, etc.
Campanha Doe Alimentos	Collecting food for needy families	27 tons of food, which benefitted dozens of families
Campanha Volta às Aulas – Doe Material Escolar	Collecting school materials for needy children	10,166 items of school materials collected in 2011, benefiting hundreds of children
Campanha do Agasalho	Collecting clothes for needy families	26,283 pieces of clothing were collected in 2011, which were distributed to needy communities
Campanha Doe um Brinquedo e Receba Sorrisos	Collecting toys for needy children	13,989 toys were collected, which benefitted hundreds of children
Seara Environmental Education Center	Providing universities with access to permanent preservation areas for studying the fauna and flora	Many universities and students benefited

Gastronomy for Cold Climates

Russian cuisine has gastronomical traditions rooted in both the Eastern and Western worlds. The variety of dishes includes fish, mushrooms, honey, poultry and wild fruits, as well as potatoes, beets, cabbage, wheat, breads and meats. The drinks are strong since they must set off the flavors of the traditional dishes and are also preferred by Russians for fending off the cold climate.

Financial Statements

The complete financial statements are available on the CD that is part of this publication.

Balance Sheets as of December 31, 2011 and 2010 (in thousands of Brazilian real)

		Company		Consolidated	
	Note	2011	2010	2011	2010
ASSETS					
Current assets					
Cash and banks	4	422,367	147,582	1,076,820	738,048
Financial investments	5	877,065	2,106,438	2,400,140	3,138,308
Trade accounts receivable – domestic	6	193,588	237,948	1,032,510	1,109,851
Trade accounts receivable – foreign	6	187,634	154,172	270,396	252,094
Inventories of goods and merchandise	7	533,513	576,124	2,526,827	2,249,314
Biological assets	8	25,609	118,058	711,169	693,040
Recoverable taxes	9	467,002	439,610	1,025,496	868,638
Prepaid expenses		6,143	7,178	85,689	68,008
Notes receivable	10	405,193	110,753	28,362	2,877
Advances to suppliers		17,179	57,616	33,166	64,909
Inventories of goods and merchandise		19,954	44,806	168,538	215,152
Total current assets		**3,155,247**	**4,000,285**	**9,359,113**	**9,400,239**
Non-current assets					
Financial investments	5	100	189	897	7,690
Court deposits		23,375	19,412	24,901	19,548
Notes receivable	10	1,594,075	1,024,247	37,912	11,078
Deferred income and social contribution taxes	11	721,548	385,914	1,443,536	893,100
Recoverable taxes	9	618,731	529,940	1,188,552	1,008,235
Other receivables		5,341	5,245	85,294	99,818
		2,963,170	1,964,947	2,781,092	2,039,469
Investments	12	4,728,944	4,796,225	13,195	10,040
Property, plant and equipment	13	1,448,238	1,460,474	7,095,302	6,685,588
Biological assets	8	-	-	219,783	277,554
Intangible assets	14	968,775	959,449	4,354,956	4,186,696
		7,145,957	7,216,148	11,683,236	11,159,878
Total non-current assets		**10,109,127**	**9,181,095**	**14,464,328**	**13,199,347**
Total assets		**13,264,374**	**13,181,380**	**23,823,441**	**22,599,586**

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

	Note	Company 2011	Company 2010	Consolidated 2011	Consolidated 2010
LIABILITIES					
Current liabilities					
Trade accounts payable		344,484	341,911	2,783,120	2,310,763
Accrued payroll and related charges	15	50,507	156,892	483,685	537,079
Taxes	16	23,398	28,609	171,246	171,627
Loans and financing	17	900,473	1,459,146	2,277,035	2,852,561
Notes payable	20	237,583	152,857	434,158	313,632
Lease payable	18	3,970	49,826	59,911	89,018
Dividends payable	23.5	412	4,865	412	4,865
Interest on equity capital	23.6	14,465	91,769	14,465	91,769
Interest on debentures	19	180,299	132,000	180,299	132,000
Advances from customers		84,350	181,687	106,918	181,687
Other payables		14,706	5,847	161,850	263,558
Total current liabilities		**1,854,647**	**2,605,409**	**6,673,099**	**6,948,559**
Non-current liabilities					
Loans and financing	17	4,205,854	3,846,442	8,326,043	6,375,244
Taxes	16	78,921	94,048	244,048	291,686
Deferred income and social contribution taxes	22	128,737	135,321	1,415,676	1,463,436
Provisions for contingencies	21	12,055	15,250	188,725	223,686
Lease payable	18	4,756	24,418	242,823	230,193
Debentures payable	19	593,951	-	593,951	-
Notes payable	20	651,745	107,204	30,537	380,461
Other		-	-	210,018	189,908
Total non-current liabilities		**5,676,019**	**4,222,683**	**11,251,821**	**9,154,614**
Shareholders' equity					
Share capital	23.1	4,061,478	4,061,478	4,061,478	4,061,478
(-) Share issue expenses	23.1	(74,960)	(74,960)	(74,960)	(74,960)
Capital reserve		2,460,085	2,468,450	2,460,085	2,468,450
Debentures convertible into shares	23.2	2,500,000	2,500,000	2,500,000	2,500,000
Charges on issue of convertible debentures	23.2	(20,693)	(12,328)	(20,693)	(12,328)
Acquisition of shares in subsidiaries		(19,222)	(19,222)	(19,222)	(19,222)
Profit reserves		38,122	44,476	38,122	44,476
Legal reserve	23.3.1	44,476	44,476	44,476	44,476
Retained earnings		7,348	7,348	7,348	7,348
Treasury shares	23.3.2	(13,702)	(7,348)	(13,702)	(7,348)
Other comprehensive income	23.4	508,844	416,988	508,844	416,988
Asset valuation adjustment	23.4.1	(51,359)	109,423	(51,359)	109,423
Cumulative translation adjustment	23.4.2	560,203	307,565	560,203	307,565
Accumulated losses		(1,259,861)	(563,144)	(1,259,861)	(563,144)
Controlling shareholders' equity		5,733,708	6,353,288	5,733,708	6,353,288
Non-controlling interest	23.7	-	-	164,813	143,125
Total shareholders' equity		**5,733,708**	**6,353,288**	**5,898,521**	**6,496,413**
Total liabilities and shareholders' equity		**13,264,374**	**13,181,380**	**23,823,441**	**22,599,586**

Statement of operations for the years ended December 31, 2011 and 2010 (in thousands of Brazilian real, except earnings (losses) per share)

	Note	Company 2011	Company 2010	Consolidated 2011	Consolidated 2010
Net Sales	**24**	**4,453,974**	**3,900,258**	**21,884,909**	**15,878,469**
Cost of goods sold	25	(3,386,728)	(3,082,652)	(18,742,292)	(13,277,024)
Gross income		**1,067,246**	**817,606**	**3,142,617**	**2,601,445**
Operating income (expenses)		**(2,155,477)**	**(836,436)**	**(4,419,267)**	**(2,872,945)**
Selling expenses	25	(298,457)	(265,002)	(1,487,362)	(1,407,500)
General and administrative expenses	25	(139,648)	(135,169)	(796,797)	(562,688)
Equity in earnings (losses) of subsidiaries		(273,398)	429,117	-	-
Other operating income (expenses)		84,773	5,192	173,818	244,485
Financial income (expenses)	26	(1,528,747)	(870,574)	(2,308,926)	(1,147,242)
Financial income		259,933	217,149	398,837	253,585
Exchange gain		254,399	170,274	564,983	282,714
Financial expenses		(1,319,916)	(962,808)	(1,927,054)	(1,295,787)
Exchange loss		(723,163)	(295,189)	(1,345,692)	(387,754)
Operating income (expenses)		**(1,088,231)**	**(18,830)**	**(1,276,650)**	**(271,500)**
Loss before tax effects		(1,088,231)	(18,830)	(1,276,650)	(271,500)
Provision for income and social contribution taxes		**342,219**	**164,924**	**529,967**	**411,592**
Income tax	32	251,631	121,491	406,410	296,372
Social contribution tax	32	90,588	43,433	123,557	115,220
Net income (loss) for the year		**(746,012)**	**146,094**	**(746,683)**	**140,092**
Attributable to:					
Controlling shareholders		(746,012)	146,094	(746,012)	146,094
Non-controlling shareholders		-	-	(671)	(6,002)
Basic earnings (losses) per share – common		(2.1533)	0.4216	(2.1533)	0.4216

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

Statement of value added for the years ended December 31, 2011 and 2010 (in thousands of Brazilian real)

	Company		Consolidated	
	2011	**2010**	**2011**	**2010**
1 - Revenues	**4,447,988**	**4,173,034**	**21,978,749**	**17,131,498**
1.1) Sales of goods and services	4,453,974	4,173,596	21,884,909	17,073,217
1.2) Other revenues	-	539	168,250	89,565
1.3) Allowance for doubtful accounts - reversal (accrual)	(5,986)	(1,101)	(74,410)	(31,284)
2 - Supplies purchased from third parties (including taxes - ICMS, IPI, PIS and Cofins)	**2,863,304**	**3,255,028**	**16,481,848**	**12,548,222**
2.1) Cost of goods sold and services rendered	1,975,195	2,509,176	11,700,002	9,325,909
2.2) Material, energy, outsourced services and other	307,053	745,852	3,925,201	2,484,816
2.3) Loss / Recovery of assets	581,056	-	856,645	737,497
3 - Gross value added (1-2)	**1,584,684**	**918,006**	**5,496,901**	**4,583,276**
4 - Depreciation and amortization	**73,615**	**59,896**	**741,528**	**626,724**
5 - Net value created by company (3-4)	**1,511,069**	**858,110**	**4,755,373**	**3,956,552**
6 - Value added received through transfer	**240,934**	**877,945**	**955,313**	**616,245**
6.1) Equity in earnings (losses) of subsidiaries	(273,398)	429,117	-	-
6.2) Financial income and exchange gains	514,332	387,423	963,820	536,299
6.3) Other	-	61,405	(8,507)	79,946
7 - Total value added to be distributed (5 + 6)	**1,752,003**	**1,736,055**	**5,710,686**	**4,572,797**
8 - Value added distribution	**1,752,003**	**1,736,055**	**5,710,686**	**4,572,797**
8.1) Employees	320,058	302,073	2,627,079	1,896,791
8.1.1 - Direct compensation	210,366	253,388	1,987,320	1,486,851
8.1.2 - Benefits	86,842	**31,393**	**488,754**	286,428
8.1.3 - FGTS (severance pay fund)	22,850	17,292	151,005	123,512
8.2) Taxes	452,156	(133,339)	662,084	504,677
8.2.1 - Federal	347,309	53,480	411,856	340,298
8.2.2 - State	104,816	(186,819)	243,121	155,583
8.2.3 - Municipal	31	-	7,107	8,796
8.3) Value distributed to providers of capital	1,725,801	1,421,227	3,168,206	2,025,235
8.3.1 - Interest	1,709,823	1,407,126	2,939,490	1,938,466
8.3.2 - Rentals	15,978	14,101	228,716	86,769
8.4) Value distributed to shareholders	(746,012)	146,094	(746,683)	146,094
8.4.1 - Interest on equity capital	-	34,532	-	34,532
8.4.2 - Dividends	-	4,865	-	4,865
8.4.3 - Retained earnings/Loss for the year	(746,012)	106,697	(746,012)	100,695
8.4.4 - Non-controlling interest in retained earnings (losses)	-	-	(671)	6,002

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

A Gastronomical Experience

French cuisine encompasses a great variety of renowned dishes that are appreciated around the world, prized for their sophisticated flavors and exuberant presentation. French dishes traditionally make use of ingredients such as butter, cream, olive oil, duck fat, vegetables, mushrooms and apples. Meals are typically accompanied by bread and wine.

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Marfrig Group** has presented its report "2011 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 25 July 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

B
GRI REPORT
GRI CHECKED

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 17 July 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

GRI Index

GRI 3.12

In compliance with the requirements of Application Level B, Marfrig hereby informs its management method for the three dimensions (economic, social and environmental), all of the profile indicators and the 30 performance indicators, distributed as follows: 3 economic performance indicators (EC); 14 environmental performance indicators (EN); 6 social performance indicators related to labor practices (LA); 4 social performance indicators related to human rights (HR); 1 social performance indicator related to society (SO) and 2 social performance indicators related to product responsibility (PR). Among all indicators, 6 are indicated throughout the text as partially complied with.

Profile Indicators

1. Strategy and Analysis		AR Page	FS Page
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	6 to 7	
1.2	Description of key impacts, risks, and opportunities.	31 to 32	71 to 79
2. Organization profile			
2.1	Name of the organization	Back cover	13 to 16
2.2	Primary brands, products, and/or services.	10 to 13	13 to 16
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Back cover and 10 to 13	13 to 16
2.4	Location of organization's headquarters.	Back cover	
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.	Back cover and 10 to 13	13 to 16
2.6	Nature of ownership and legal form.	Back cover	13 to 16
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Back cover and 10 to 13	13 to 16
2.8	Scale of the organization.	Back cover	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	10 to 13	13 to 16
2.10	Awards received in the reporting period.	34 to 35	
3. Reporting Parameters		**AR Page**	**FS Page**
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	2	
3.2	Date of most recent previous report (if any).	2	
3.3	Reporting cycle (annual, biennial, etc.)	2	
3.4	Contact point for questions regarding the report or its contents.	3 and 92	
3.5	Process for defining report content, including: a) determining materiality; b) prioritizing topics within the report; and c) identifying stakeholders the organization expects to use the report.	2 and 3	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	2	
3.7	State any specific limitations on the scope or boundary of the report.	2	
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.	2	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	2 and 3	17 to 23
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 or acquisitions, change of base years or periods, nature of business, measurement methods).	3	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	2	
3.12	Table identifying the location of the information in the report.	83 to 91	
3.13	Policy and current practice with regard to seeking external assurance for the report.	3	84 to 85

4. Governance, Commitments and Engagement		AR Pages	FS Pages
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.	18 to 29	
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).	16 and 26	
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	22	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	20 to 21 and 70	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	24	65 to 69
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	21 and 22	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body to define the organization's strategy for matters related to economic, environmental and social themes.	24	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	18	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	24	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	24	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	66 and 69	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	42 to 44	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: a) has positions in governance bodies; b) participates in projects or committees; c) provides substantive funding beyond routine membership dues; and d) views membership as strategic.	42 to 44	
4.14	List of stakeholder groups engaged by the organization.	38	
4.15	Basis for identification and selection of stakeholders with whom to engage.	38 to 73	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	38 to 73	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	38 to 73	

Economic Performance Indicators

Management: pages 38 to 45

Aspect: Economic Performance			AR Pages	FS Pages
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.	52 and 72 to 73	11
Core	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	31, 32 and 40	
Core	EC3	Coverage of the organization's defined benefit plan obligations.	Not reported	
Core	EC4	Significant financial assistance received from government.	Not reported	
Aspect: Market Presence			**AR Pages**	**FS Pages**
Additional	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Not reported	
Core	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not reported	
Core	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Not reported	
Aspect: Indirect Economic Impacts			**AR Pages**	**FS Pages**
Core	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	72 to 73	
Additional	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not reported	

Environmental Performance Indicators

Management: pages 38 to 45

Aspect: Materials			AR Pages	FS Pages
Core	EN1	Materials used by weight or volume.	Not reported	
Core	EN2	Percentage of materials used that are recycled input materials.	Not reported	
Aspect: Energy			**AR Pages**	**FS Pages**
Core	EN3	Direct energy consumption by primary energy source.	62	
Core	EN4	Indirect energy consumption by primary energy source.	62	
Additional	EN5	Energy saved due to conservation and efficiency improvements.	Not reported	
Additional	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Not reported	
Additional	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	62	

Aspect: Water			AR Pages	FS Pages
Core	EN8	Total water withdrawal by source.	63 to 64	
Additional	EN9	Water sources significantly affected by withdrawal of water.	Not reported	
Additional	EN10	Percentage and total volume of water recycled and reused.	63 to 64	
Aspect: Biodiversity			**AR Pages**	**FS Pages**
Core	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not reported	
Core	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not reported	
Additional	EN13	Habitats protected or restored.	Not reported	
Additional	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	65 to 66	
Additional	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not reported	
Aspect: Emissions, Effluents and Waste			**AR Pages**	**FS Pages**
Core	EN16	Total direct and indirect greenhouse gas emissions by weight.	61 to 62	
Core	EN17	Other relevant indirect greenhouse gas emissions by weight.	61 to 62	
Additional	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	62	
Core	EN19	Emissions of ozone-depleting substances by weight.	62	
Core	EN20	NO_x, SO_x, and other significant air emissions by type and weight.	Not reported	
Core	EN21	Total water discharge by quality and destination.	60	
Core	EN22	Total weight of waste by type and disposal method.	64	
Core	EN23	Total number and volume of significant spills.	Not reported	
Additional	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not reported	
Additional	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not reported	
Aspect: Products and Services			**AR Pages**	**FS Pages**
Core	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Not reported	
Core	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported	
Aspect: Compliance			**AR Pages**	**FS Pages**
Core	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	59	57 to 60

Aspect: Transport			**AR Pages**	**FS Pages**
Additional	**EN29**	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not reported	
Aspect: Overall			**AR Pages**	**FS Pages**
Additional	**EN30**	Total environmental protection expenditures and investments by type.	59	

Social Performance Indicators Related to Labor Practices and Decent Work

Management: pages 38 to 45

Aspect: Labor			**AR Pages**	**FS Pages**
Core	**LA1**	Total workforce by employment type, employment contract, and region, broken down by gender.	71	
Core	**LA2**	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	71	
Additional	**LA3**	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Not reported	
Aspect: Labor/Management Relations			**AR Pages**	**FS Pages**
Core	**LA4**	Percentage of employees covered by collective bargaining agreements.	70	
Core	**LA5**	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Not reported	
Aspect: Occupation Health and Safety			**AR Pages**	**FS Pages**
Additional	**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.	72	
Core	**LA7**	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region.	71 to 72	
Core	**LA8**	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Not reported	
Additional	**LA9**	Health and safety topics covered in formal agreements with trade unions.	71 to 72	
Aspect: Training and Education			**AR Pages**	**FS Pages**
Core	**LA10**	Average hours of training per year per employee by employee category.	Not reported	
Additional	**LA11**	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Not reported	
Additional	**LA12**	Percentage of employees receiving regular performance and career development reviews.	Not reported	

Aspect: Diversity and Equal Opportunity			AR Pages	FS Pages
Core	LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Not reported	
Core	LA14	Ratio of basic salary and remuneration of women to men by employee category.	Not reported	

Social Performance Indicators Related To Human Rights

Management: pages 38 to 45				
Aspect: Investment and Procurement Practices			**AR Pages**	**FS Pages**
Core	HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Not reported	
Core	HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	Not reported	
Additional	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not reported	
Aspect: Non-Discrimination			**AR Pages**	**FS Pages**
Core	HR4	Total number of incidents of discrimination and corrective actions taken.	71	
Aspect: Freedom of Association and Collective Bargaining			**AR Pages**	**FS Pages**
Core	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not reported	
Aspect: Child Labor			**AR Pages**	**FS Pages**
Core	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	67 to 68	
Aspect: Forced and Compulsory Labor			**AR Pages**	**FS Pages**
Core	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	67 to 68	
Aspect: Security Practices			**AR Pages**	**FS Pages**
Additional	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not reported	
Aspect: Indigenous Rights			**AR Pages**	**FS Pages**
Additional	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	71	

Social Performance Indicators Related to Society

Management: pages 38 to 45				
Aspect: Local Communities			**AR Pages**	**FS Pages**
Core	**SO1**	Nature, scope and effectiveness of any programs and practices to assess and manage the impacts of operations on local communities.	Not reported	
Aspect: Corruption			**AR Pages**	**FS Pages**
Core	**SO2**	Percentage and total number of business units analyzed for risks related to corruption.	Not reported	
Core	**SO3**	Percentage of employees trained in organization's anti-corruption policies and procedures.	Not reported	
Core	**SO4**	Actions taken in response to incidents of corruption.	Not reported	
Aspect: Public Policy			**AR Pages**	**FS Pages**
Core	**SO5**	Public policy positions and participation in public policy development and lobbying.	Not reported	
Additional	**SO6**	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not reported	
Aspect: Anti-Competitive Behavior			**AR Pages**	**FS Pages**
Additional	**SO7**	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not reported	
Aspect: Compliance			**AR Pages**	**FS Pages**
Core	**SO8**	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		57 to 60
Social Performance Indicators Related to Product Responsibility				
Management: pages 38 to 45				
Aspect: Customer Health and Safety			**AR Pages**	**FS Pages**
Core	**PR1**	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not reported	
Additional	**PR2**	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	69	
Aspect: Product and Service Labeling			**AR Pages**	**FS Pages**
Core	**PR3**	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not reported	
Additional	**PR4**	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not reported	
Additional	**PR5**	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Not reported	

Aspect: Marketing Communications			AR Pages	FS Pages
Core	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Not reported	
Additional	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not reported	
Aspect: Customer Privacy			**AR Pages**	**FS Pages**
Additional	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not reported	
Aspect: Compliance			**AR Pages**	**FS Pages**
Core	PR9	Monetary value of (significant) fines for non-compliance with laws and regulations concerning the provision and use of products and services.	69	57 to 60

Corporate Information GRI 3.4

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