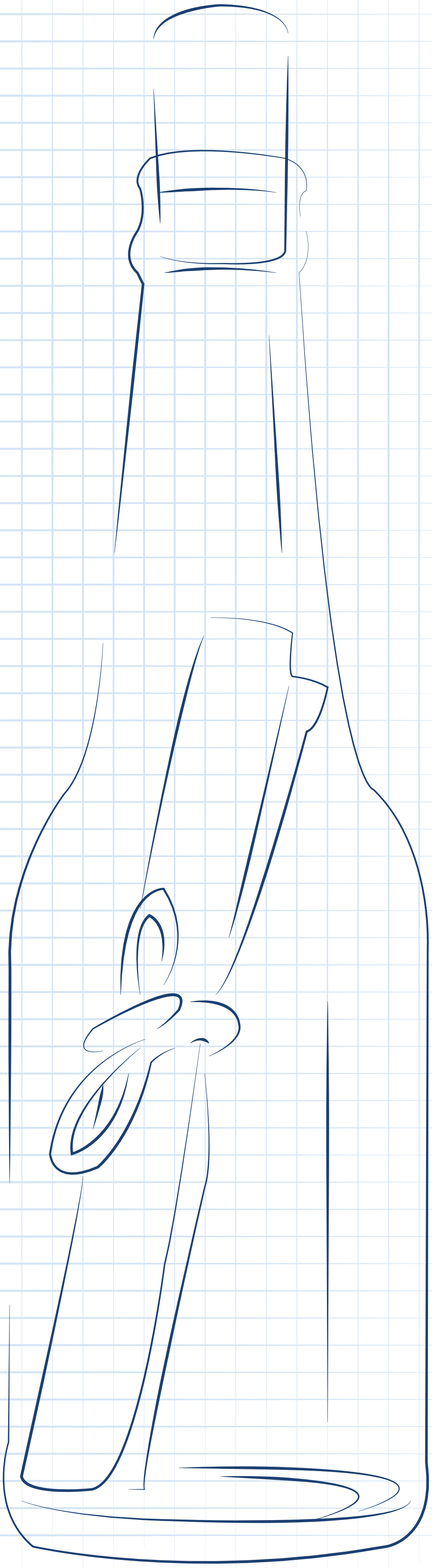
MARFRIG GROUP

ANNUAL REPORT 2012

TABLE OF CONTENTS



MESSAGE FROM THE MANAGEMENT

To all those who have an input in Marfrig's success,

In this report, we aim to present not only the principles that guide our management and strategy, but also all the initiatives implemented and planned in pursuit of our aims and performance obtained.

The global food market has undergone major changes, especially with regards to transparency. The blatant European discovery of horsemeat in products claiming to be "pure beef" gave rise to concerns about the reliability of the companies of the sector.

At Marfrig, we know that in each and every product there is a promise, and in this regard, we are fully confident of our efforts throughout the years in the field of food safety, health and traceability. All such efforts have resulted in greater Company credibility and institutional added value. The group sees in this critical aspect a business opportunity, by maintaining our determination to serve with transparency, responsibility and on ethical grounds. We advocate a higher degree of transparency in food packaging, thereby strengthening ever more our relationship of trust with our customers and consumers, who are entitled to be fully informed on everything that is involved in the supply chain.

We know that our relationship with shareholders and investors is also grounded on trust and, therefore, we seek to establish a coherent link between what we do and what we say, endeavoring to deserve the trust of those who believe in us.

We took over leadership of a Company that has undergone major transformations in the last years. The 43 acquisitions carried out in the last six years have increased Marfrig's revenue twelvefold. At the end of 2006, our revenue totaled R$2 billion, while today we are a company with a total revenue of R$24 billion.

In 2006, we had early 10,000 employees in four Latin American countries, whereas today we total more than 91,000 employees in 18 countries in the five continents. However, even after such considerable expansion, we have not fully exploited all the synergy implied from those acquisitions.

Today, our main objective is to transform Marfrig into a company of value in the broadest sense, with financial value the most obvious, but not the only one. We face big challenges to guarantee margins, quality and consistency, within a dynamic global scenario of tight margins.

The strategic thinking behind the recent decisions made by Marfrig explains the reduction of the company's exposure to commodities, via an increase of its share in the segment of higher value-added processed foods and, therefore, less volatile and more profitable.

As the first company in the food industry to sell branded beef in Brazil, Marfrig Beef's strategy has been quite successful. With its focus on the Brazilian domestic market, particularly on the food service segment, Marfrig Beef's main aim in 2012 was structural improvement and cost reduction. After some years of building up cattle livestock and its retention, the division has managed to exploit successfully the favorable moment of the Brazilian livestock farming.

Our international business of the Seara Foods' segment has also been successful. Keystone and Moy Park performed well in 2012, strengthening the Group's global presence and consolidating a unique position in the food service and among the world's largest retail chains. With Keystone, the two joint ventures in Asia have exceeded expectations, contributing to making Marfrig the Brazilian food company with the largest operation in the continent.

On the other hand, Moy Park has increased the share of ready-to-eat meal products, in addition to the prime and high added-value line that brings the signature of the British chef Jamie Oliver.

The drawback in 2012 was not being able to deliver good results with Seara Brasil, due to the pressure of grain prices and the increase in general and administrative expenses, directly related to the exchange of assets started in June 2012, which has affected directly our profitability in the 4th quarter.

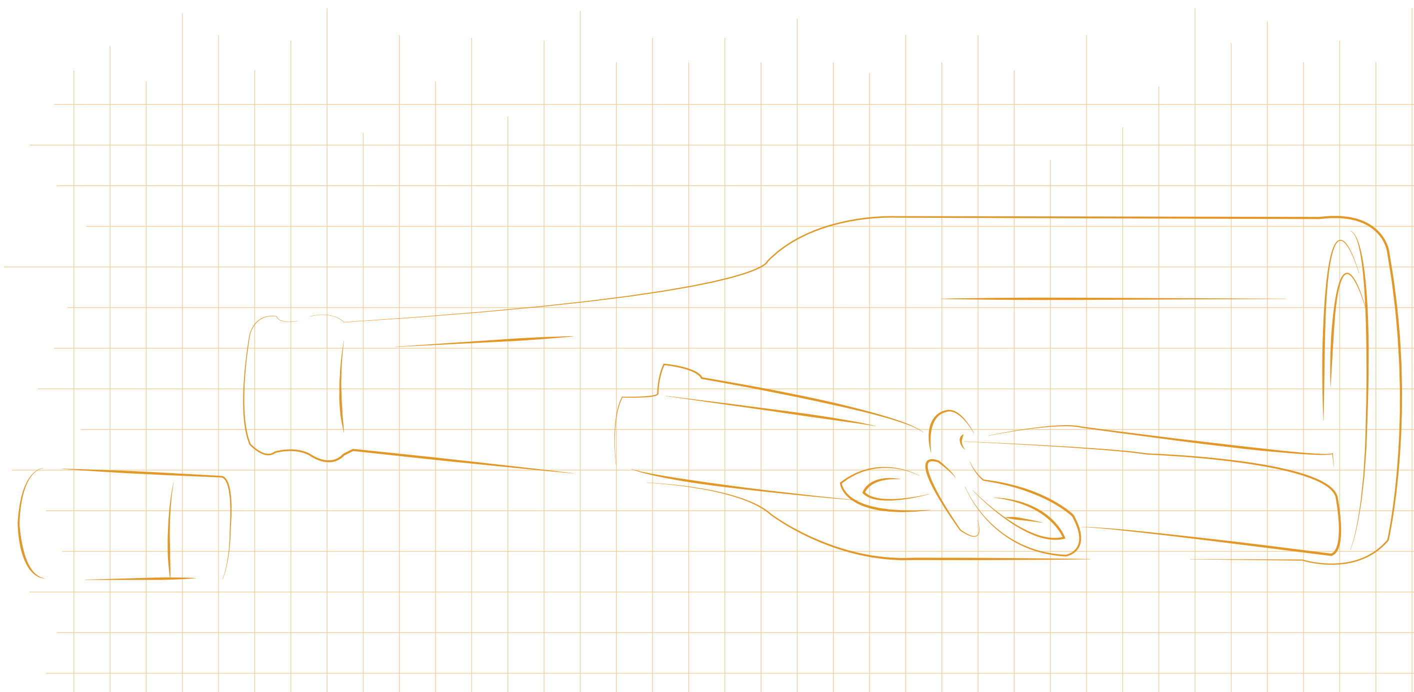
We are aware of Seara's strategic importance in our portfolio. The Brazilian market has an unequivocal leader, but there is also room for another leader placed second in rank. Actually, the market is clearly requesting this from us. There is a lot to do in all fronts, particularly with regard to logistics and distribution efficiency, better use of the existing brands, creation of new product brands or categories, and human resources.

Surveys show that there is a direct correlation between an increase in families' income and a greater consumption of animal protein, relative to both the amount consumed and the migration of higher-value proteins. Such change in behavior has been the case with Brazilian consumers, and precisely to take advantage of this scenario, Seara has been expanding its presence in the points of sale by increasing the mix of channels. In 2012, there was a great effort to serve new customers and the outcome was obvious – we were able to double the number of customers to more than 70 thousand.

In 2013, the strategy focuses on increasing the number of Seara's products on the shelves of the already existing customer base. Furthermore, with an eye on the future, we will work harder to get closer to those already integrated, valuing their fundamental condition within the production cycle.

Our recent moves in the capital markets related both to debt and equity, through the issuance of Senior Notes (Bonds) and the Follow-on, focused on finding solutions for the short-term debt. Overall, the operations totaled R$2.2 billion, which is being used to support the need for working capital and extend the debt maturity terms. We are fully committed to reducing the Company's gross debt.

For 2013, the Marfrig Group bets on innovation and efficiency, investing in policies, tools and initiatives that consolidate the quality standard of the Company and the high added value of its products, focusing not only on its production plants but also on all the Group's supplier and partner chain.



Moreover, a Strategic Plan will be put into practice, designed to gradually leverage performance and delivery of results, in addition to carefully studying the complex Brazilian tax system in order to identify gain opportunities.

The newly-created position of Vice-President of Strategic Planning shows the commitment of the Marfrig Group's management to achieve more solid and sustainable results in the next periods. With time and focus, we will be able to establish a more stable capital structure for the Group. This commitment must also be undertaken by all our employees, who are so essential to the implementation of the Company's strategy with quality in the daily running of business. That is why communication with our staff and their engagement are also one of the focuses for the Group's improvement.

We are very committed to the safety of our employees. We take this opportunity to thank each and every one of our employees for their effort in engaging in a safe conduct. Without a safe conduct and multi-disciplinary support at the plants, the task becomes an even greater uphill struggle.

The preparation of this Sustainability Report is an important exercise because, above all, it is a moment for integration and consolidation that calls for the Group's corporate capacity to learn and improve every day. The opportunities and challenges are huge, and intensive work is being carried out to maximize our operations, results and benefits to all our stakeholders and promote sustainable growth.

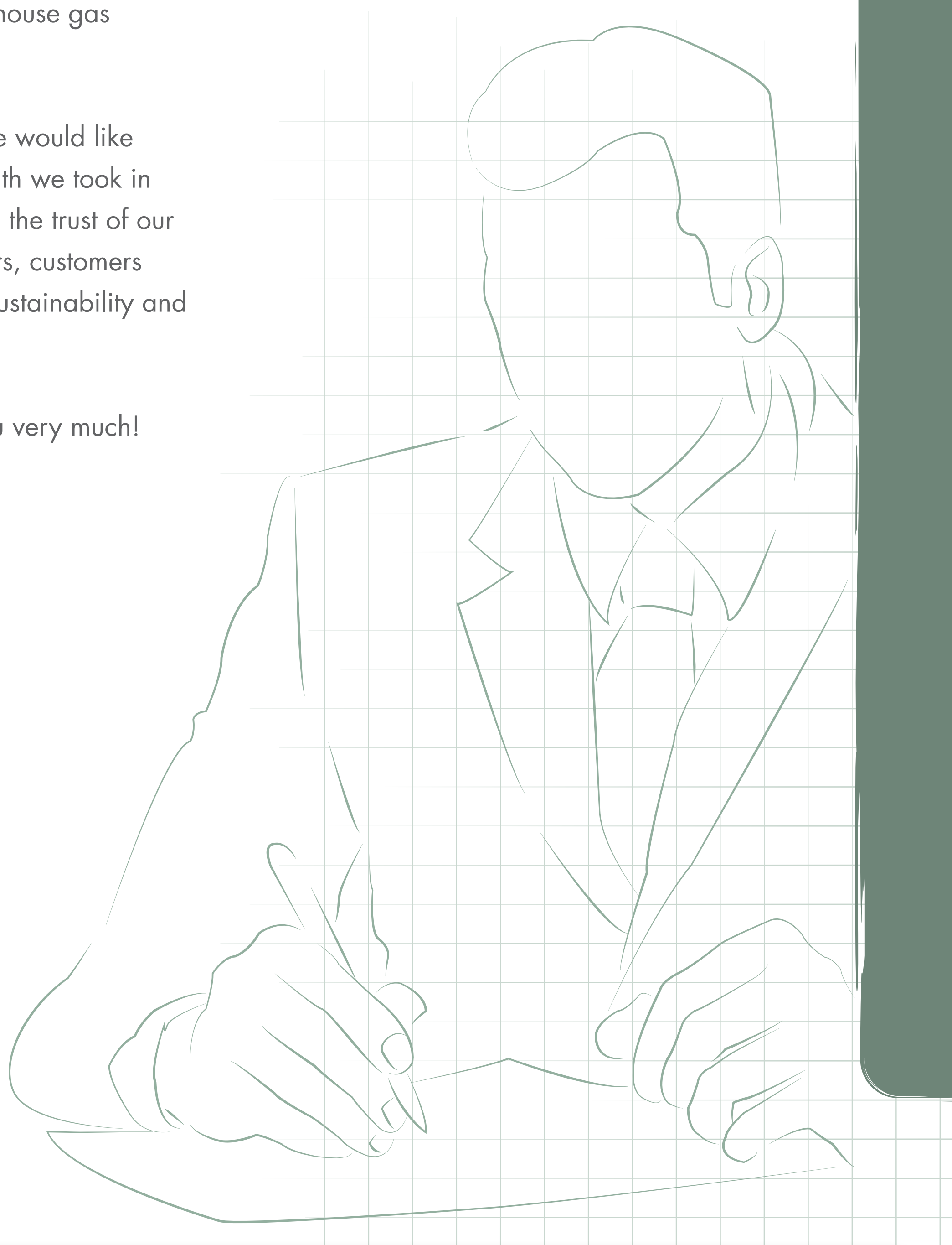
Along this path, we have also worked hard to continually improve our operations, seeking to minimize environmental impact and to extend the opportunities and generation of value to our public. As a result of this approach, we were recognized for sustainability in 2012 by important international organizations, due to our initiatives and transparency in the pursuit of sustainable development: the Forest Footprint Disclosure named the Marfrig Group as the company that made most progress in the forest footprint management in its operations in the food sector; the Carbon Disclosure Program ranked the Company among the 10 best Brazilian companies regarding performance and transparent practices for disclosure of reports on greenhouse gas emissions and climate changes.

Therefore, with this publication we would like to invite you to learn about the path we took in 2012, and show our gratitude for the trust of our shareholders, employees, suppliers, customers and partners, so essential to the sustainability and stability of our business!

Enjoy your reading and thank you very much!

Marcos A. Molina dos Santos
CEO and Chairman

Sérgio Rial
CEO Seara Foods



ABOUT THE REPORT

In this Annual Report, the Marfrig Group presents a good part of its history in 2012, from the management conducted by the Company to the initiatives developed, the operations carried out and the results achieved, from the operating, economic-financial, social and environmental standpoints.

The information reported during this publication refers to the Group's global operation, thorough all of its subsidiaries – except when otherwise indicated – and to the period between January 1 and December 31, 2012.

This is the third consecutive year that the Report has been prepared based on the guidelines of the Global Reporting Initiative (GRI), an international standard for sustainability reports. To learn more about the guidelines that stimulate the transparency of relevant topics on business sustainability, access www.globalreporting.org.

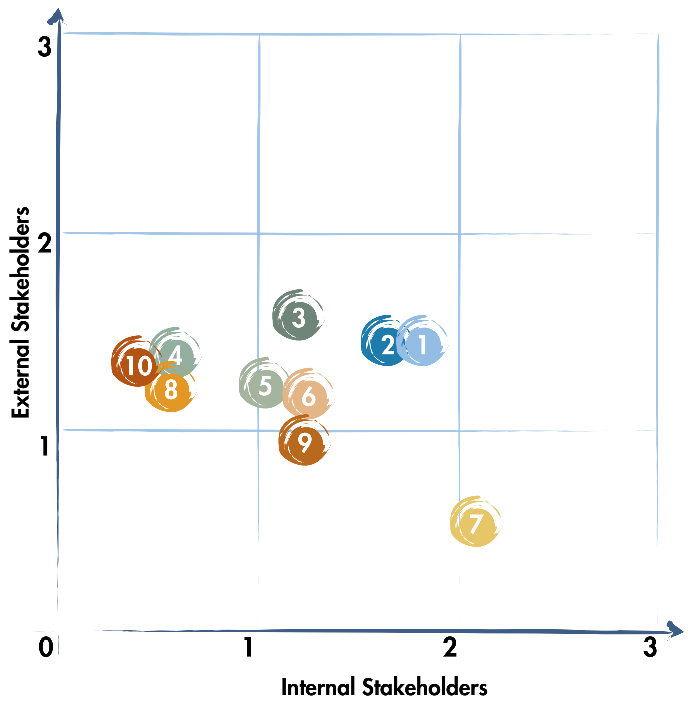
By adopting this methodology, Marfrig expects to build another tool for communication and dialog with all its stakeholders and consolidate its transparency and commitment with the social and environmental development and sustainable growth of its business. For this purpose, the content presented in this report has been prepared by a multi-disciplinary team from different areas and companies of the Group, under coordination of the Investor Relations and Sustainability team, providing more complete information on each indicator, whenever possible.

Additionally, Marfrig consulted with 569 people – among customers, suppliers, partners, financial institutions, shareholders, employees and the civil society –, by means of an electronic form that identified which topics they considered more representative and that should be addressed in greater depth in the publication.

According to the survey, the ten topics of greatest interest for the preparation of the Sustainability Report 2012 were:

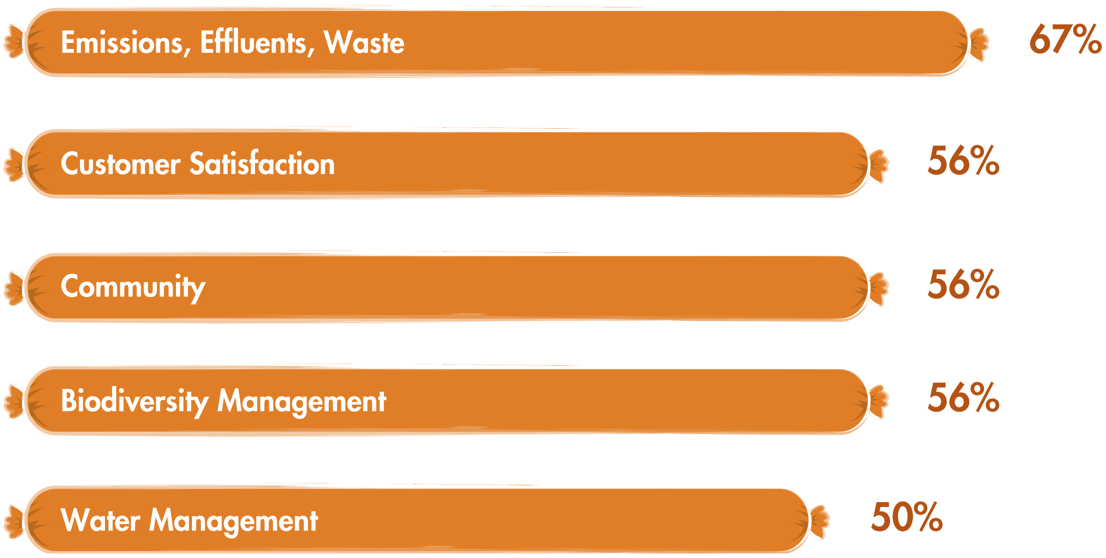
1. Customer Satisfaction Survey 48%
2. Community 47%
3. Market Presence 46%
4. Economic Performance 38%
5. Legal Responsability for the Product 36%
6. Training and Education 36%
7. Emissions, Effluents, Waste 35%
8. General Environmental Management 35%
9. Indirect Economical Impact 34%
10. Job Generation 34%

With the purpose of understanding the convergence of views of the external and internal stakeholders, the **Materiality Matrix of this Report** was built, showing the external opinions on the vertical axis and internal ones on the horizontal axis.

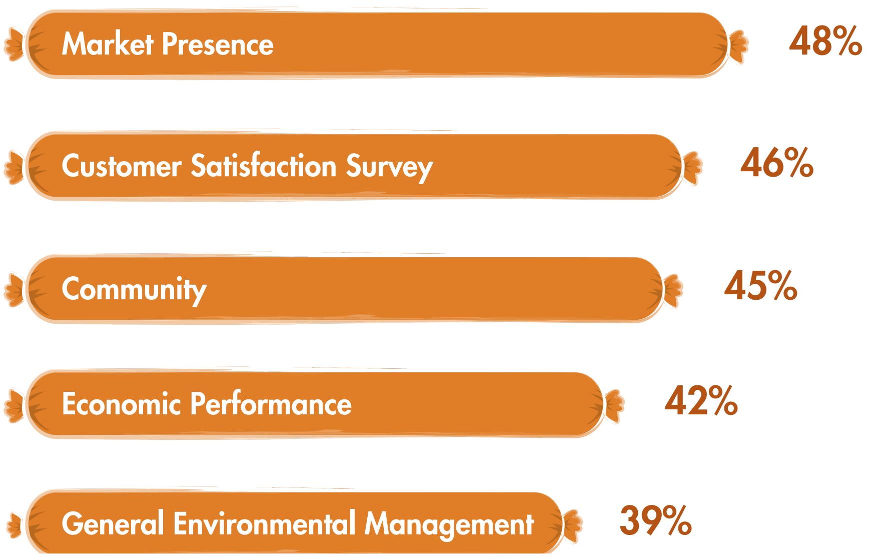


By filtering the data by internal and external stakeholders, the following topics emerged:

Internal Stakeholder:



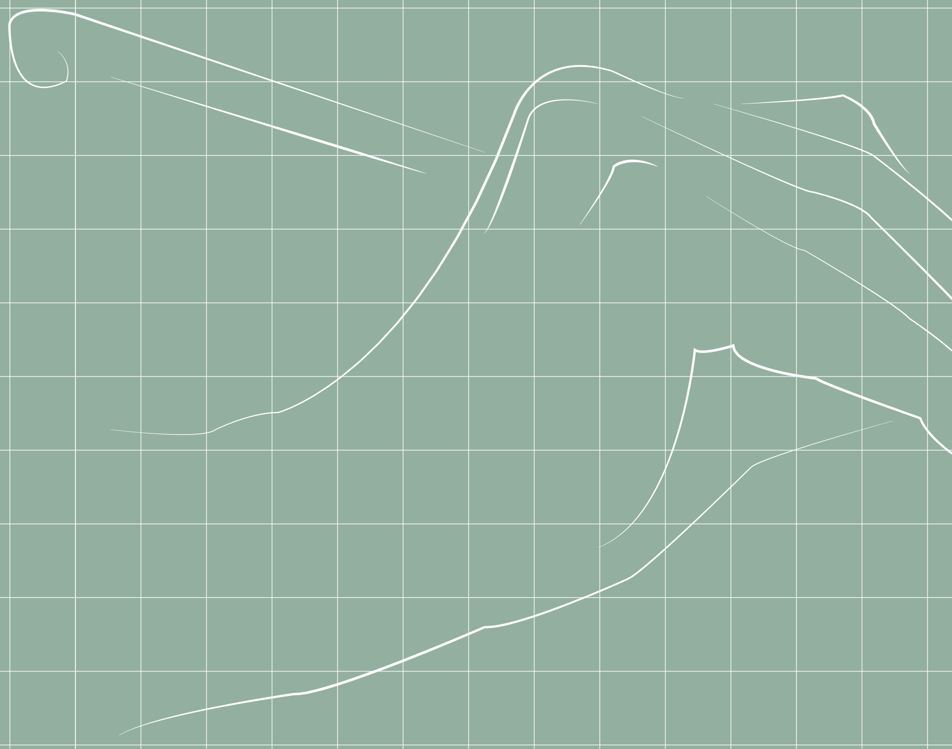
External Stakeholder:



The Marfrig Group's Sustainability Report 2012 meets level B of the guidelines, in compliance with level B validated by the Global Reporting Initiative (GRI).

Framework for compliance with the GRI guidelines

	C	C+	B	B+	A	A+
Self-declared						
Verified by Third Parties		Verified externally		Verified externally		Verified externally
Verified by GRI			RS 2012 Marfrig			



ORGANIZATIONAL DRIVERS

MISSION

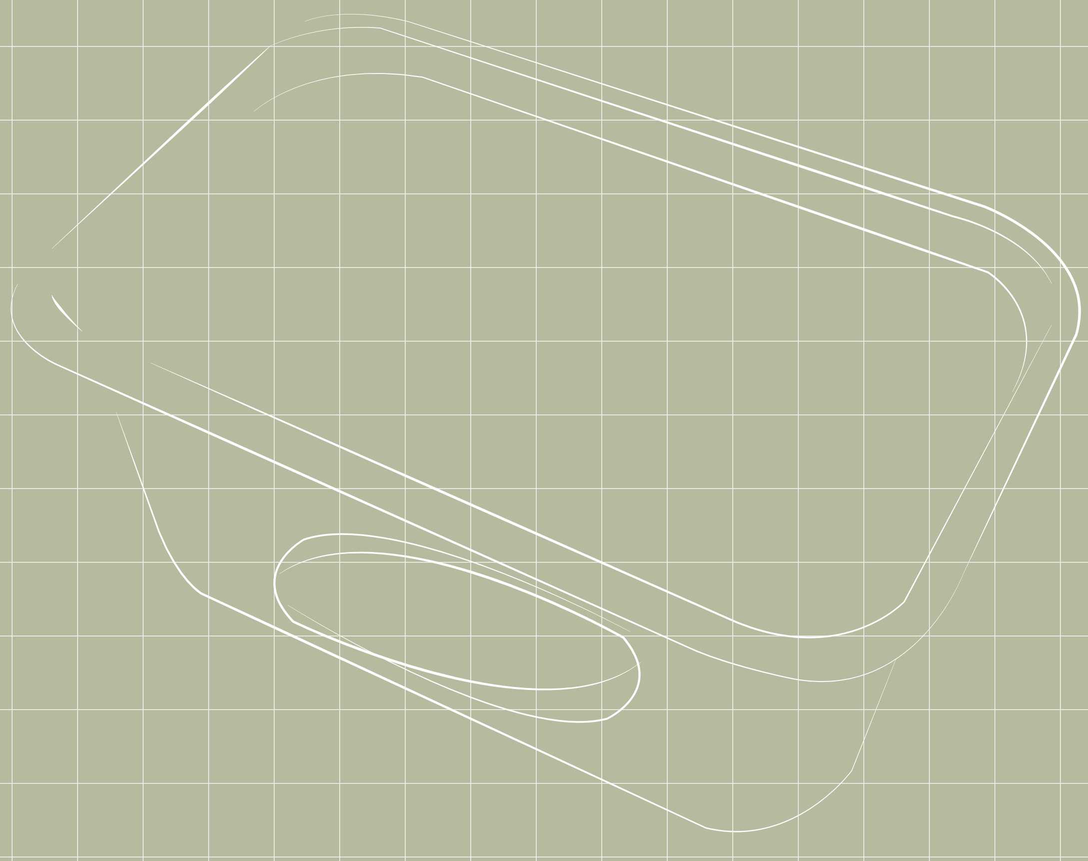
To meet and exceed the expectations of our customers and partners, supplying safe products with differentiated quality, through modern technologies and a highly trained workforce, operating with social and environmental responsibility and generating value for our customers, partners, employees, shareholders, and society.

VISION

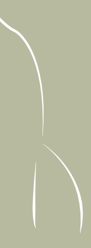
To be recognized as a company of excellence in the Brazilian and international market for processing and selling high quality products, in all of Marfrig Group's segments and commercial brands, while continuing to expand in the market in which it operates in Brazil and abroad, with the commitment to continually improve its products and with sustainable development and profitability in its business.

VALUES

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



PROFILE



Marfrig in 2012:

Marfrig Alimentos S.A., which is headquartered in the city of São Paulo, State of São Paulo, is one of the largest world companies in the food sector and has a wide portfolio with approximately 23 thousand products and renowned brands in Brazil and abroad.

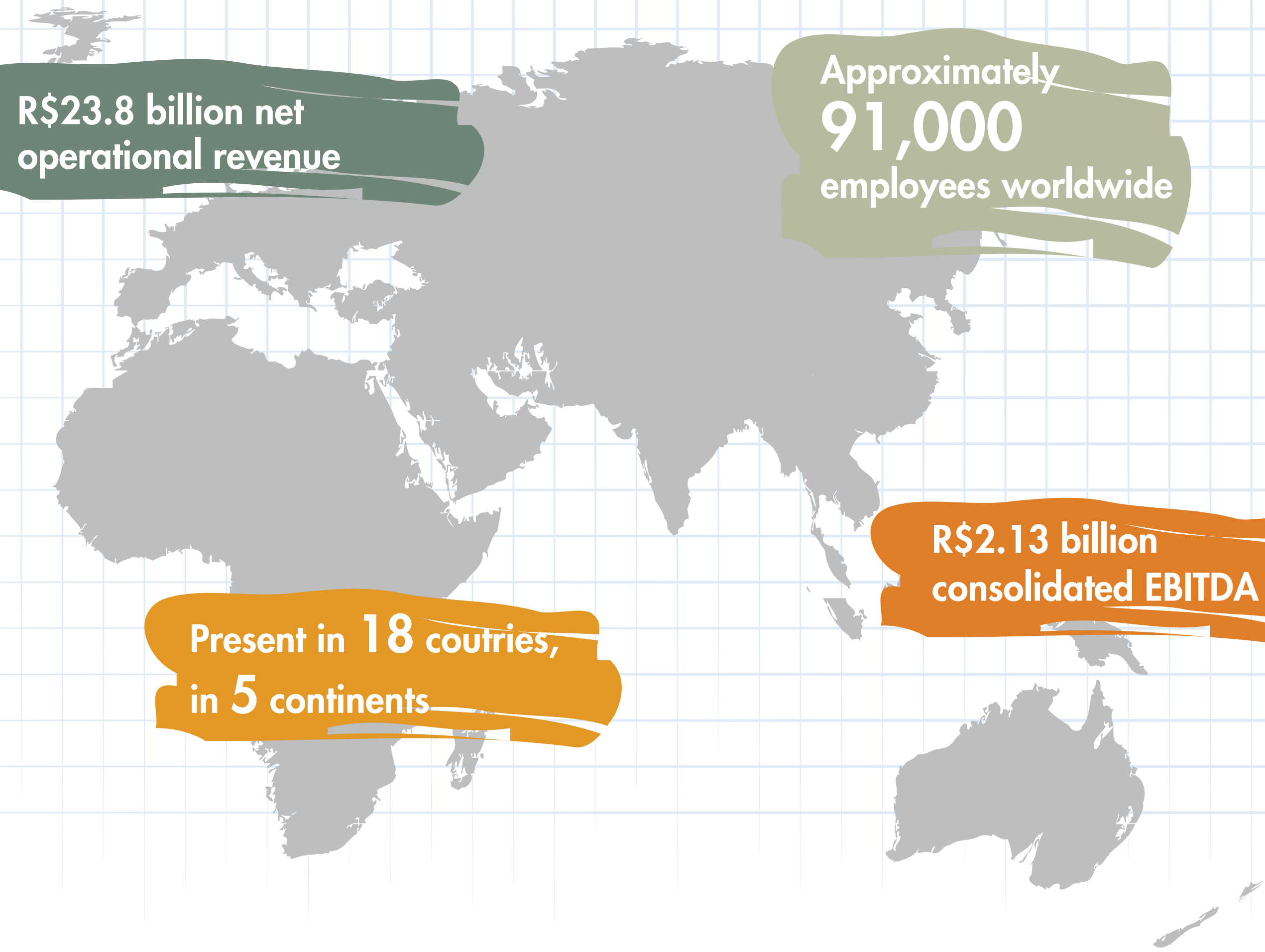
Its operational structure comprises 138 production plants whose overall production capacity is higher than 1.9 million tons of processed and added-value food products per month, with distribution centers and commercial offices throughout 18 countries worldwide. The Company also has approximately 91 thousand direct employees and exports its products to over 150 countries in Europe, the Middle East, Asia, Africa, Oceania and the Americas.

A global food company

The Marfrig Group has **operations in 18 countries, in the five continents, through a wide operating network**, which ranges from the production, manufacturing, processing, marketing and distribution of animal protein-based food products (beef, pork, lamb and poultry), pasta and similar products (pizza, lasagna, breaded products and desserts), ready-to-eat meals and frozen vegetables, to the distribution of other food products (frozen food, cold cuts, sausages, fish and others) and semi-finished and finished leather.

Throughout the network, the Group's operation is **committed to excellence and quality**, thus ensuring the presence of its products in the world's largest restaurant and supermarket chains and in the households of consumers of over 150 countries.

Business relationship with 150 countries



Annual Production Capacity 2012

- Cattle (heads) **4.8 million**
- Chickens (heads) **1.1 billion**
- Lamb (heads) **3.0 million**
- Pork (heads) **4.3 million**
- Turkeys (heads) **10.3 million**
- Processed Food **1.9 tons/million**

OPERATING SEGMENTS

Within this global scenario, with a diversified offer in the food services sector and a wide product portfolio, Marfrig's organizational structure seeks to ensure efficiency gains in its operations and the continuous expansion of its growth potential.

Since 2011, the Company's structure has been based on two main operating segments: Marfrig Beef, which runs the beef, lamb and leather operations, and Seara Foods, responsible for the poultry, pork, processed and value-added food operations.

Marfrig Beef

Business division: cattle, sheep and leather

Volume sold in 2012:

Fresh Meat	Processed Meat	Other
527.3 Tons	130.4 Tons	509.8 Tons

Main operating strategy points:

Optimization of cost structure and dilution. After some years of building up a cattle livestock and its retention, Marfrig Beef should exploit successfully the favorable moment of the Brazilian livestock farming.

Following the swap of assets with Brasil Foods, the Company maintains its focus on market niches, the food service segment and exports of premium cuts, by using the Hilton Quota.

Continue to take advantage of the leading position in the country to leverage its exports. Due to its sanitary status, Uruguay is authorized to export beef to all the countries in the world.

To learn more details about the Group's strategic positioning, access chapter "Strategy ad Action" in this report.

Brands:

Tacuarembó MEAT THE BEST

MEATEX

SEARA

Bassi gourmet

Seara Foods

Business division: poultry, hogs and processed foods

Volume sold in 2012

Fresh Meat
1,177.7 Tons

Processed Meat
1,170.7 Tons

Other
368.2 Tons

Companies:

Brands:

Main operating strategy points:

In 2012, Seara Brasil invested in expanding its mix of products and increased its processed food market share. Furthermore, the company expanded its customer portfolio, with main focus on small - and medium - sized retailers. For 2013, the strategy is to increase the number of Seara products on the shelves of the customer base.

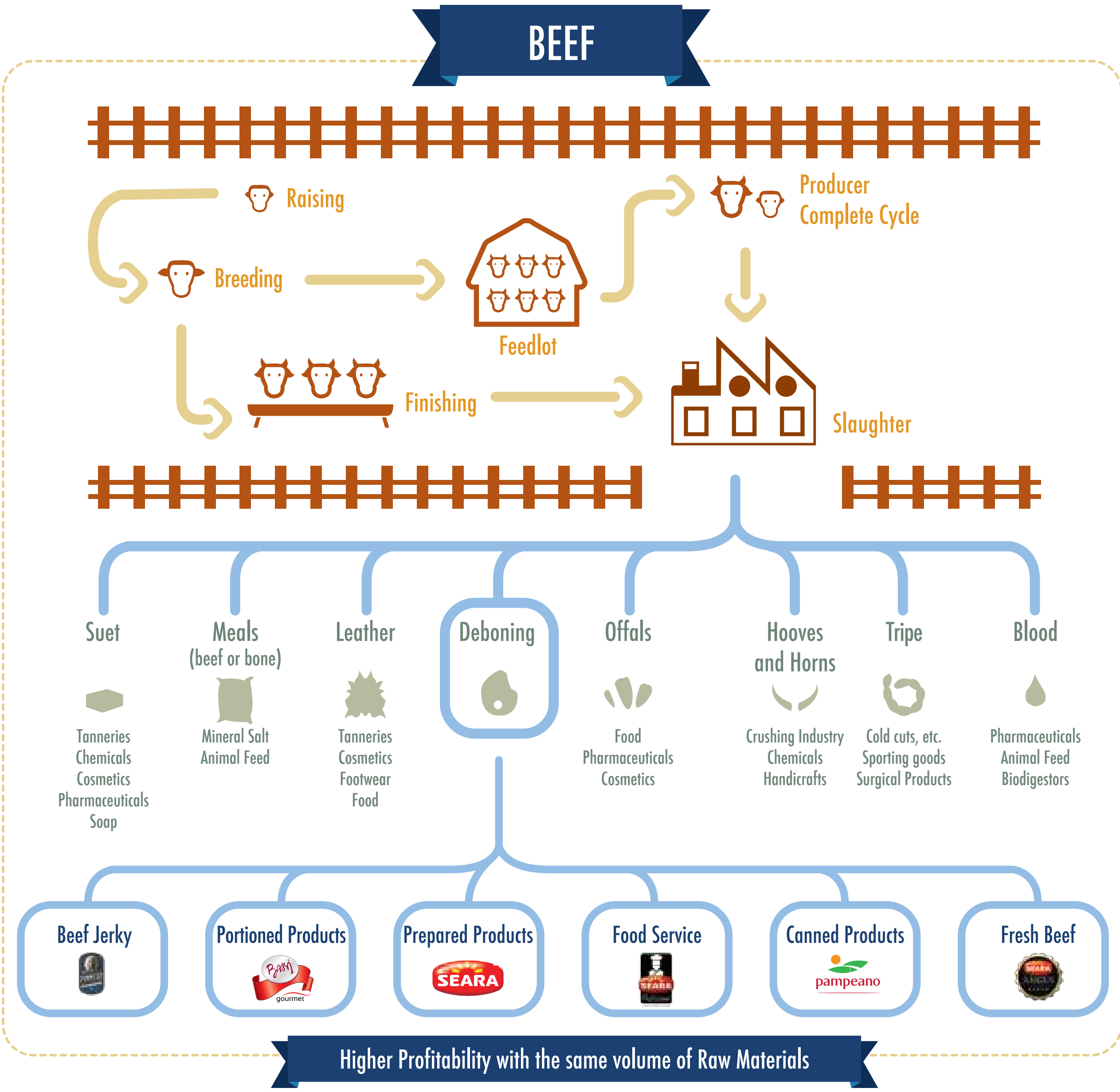
Keystone aims to boost production, sale and distribution of products to the food service segment, seeking to obtain operating gains and improve its portfolio. Keystone's strategy includes the continuity of the two joint ventures in China, in a continent where it has already become the Brazilian food company with the largest operation.

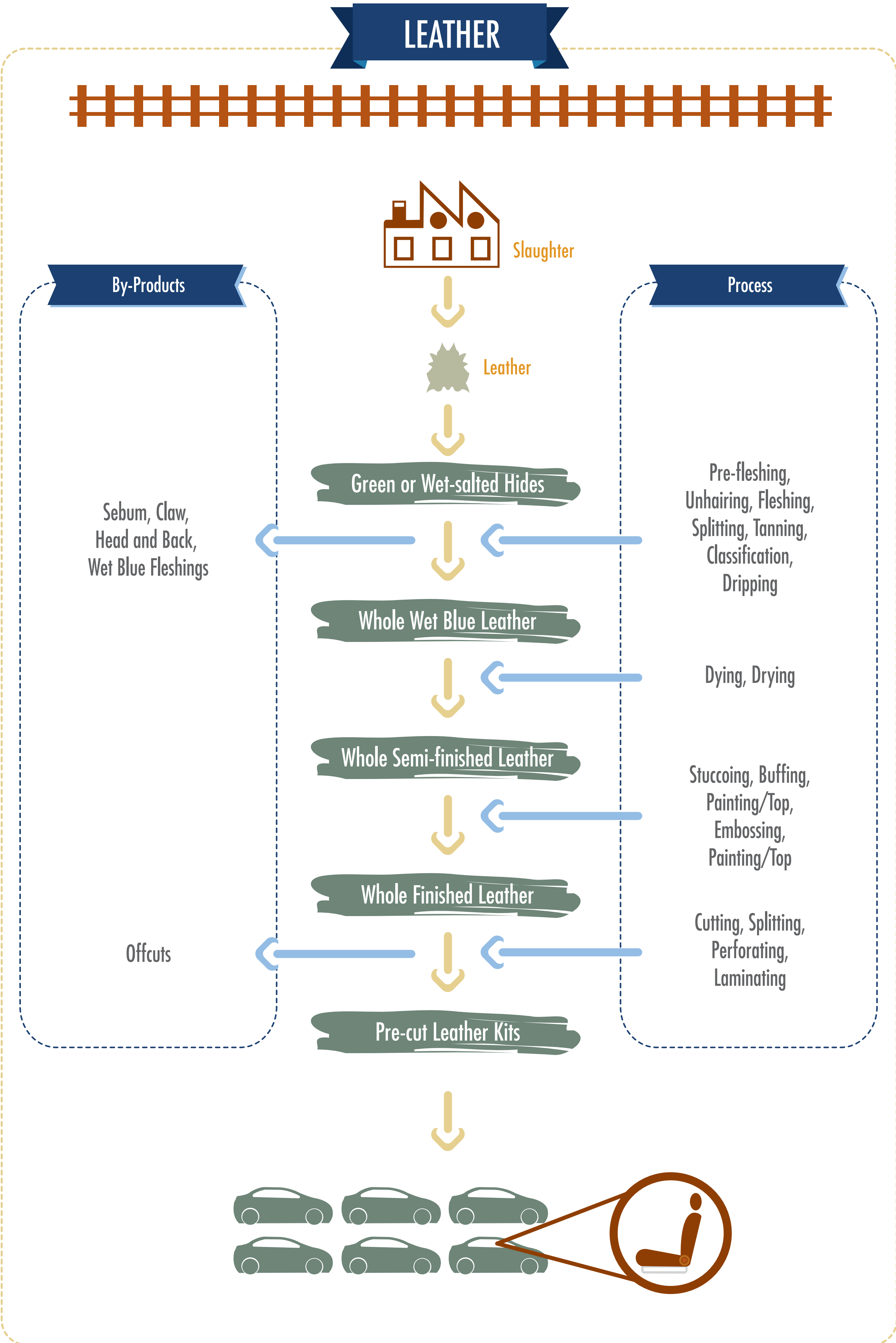
Moy Park, a leader in the United Kingdom and with a strong presence in the main retail chains and the food service segment, has the strategy to increasingly invest in the ready-to-eat meals and in the products signed by the renowned British chef Jamie Oliver.

To learn more details about the Group's strategic positioning, access chapter "Strategy and Action" in this report.

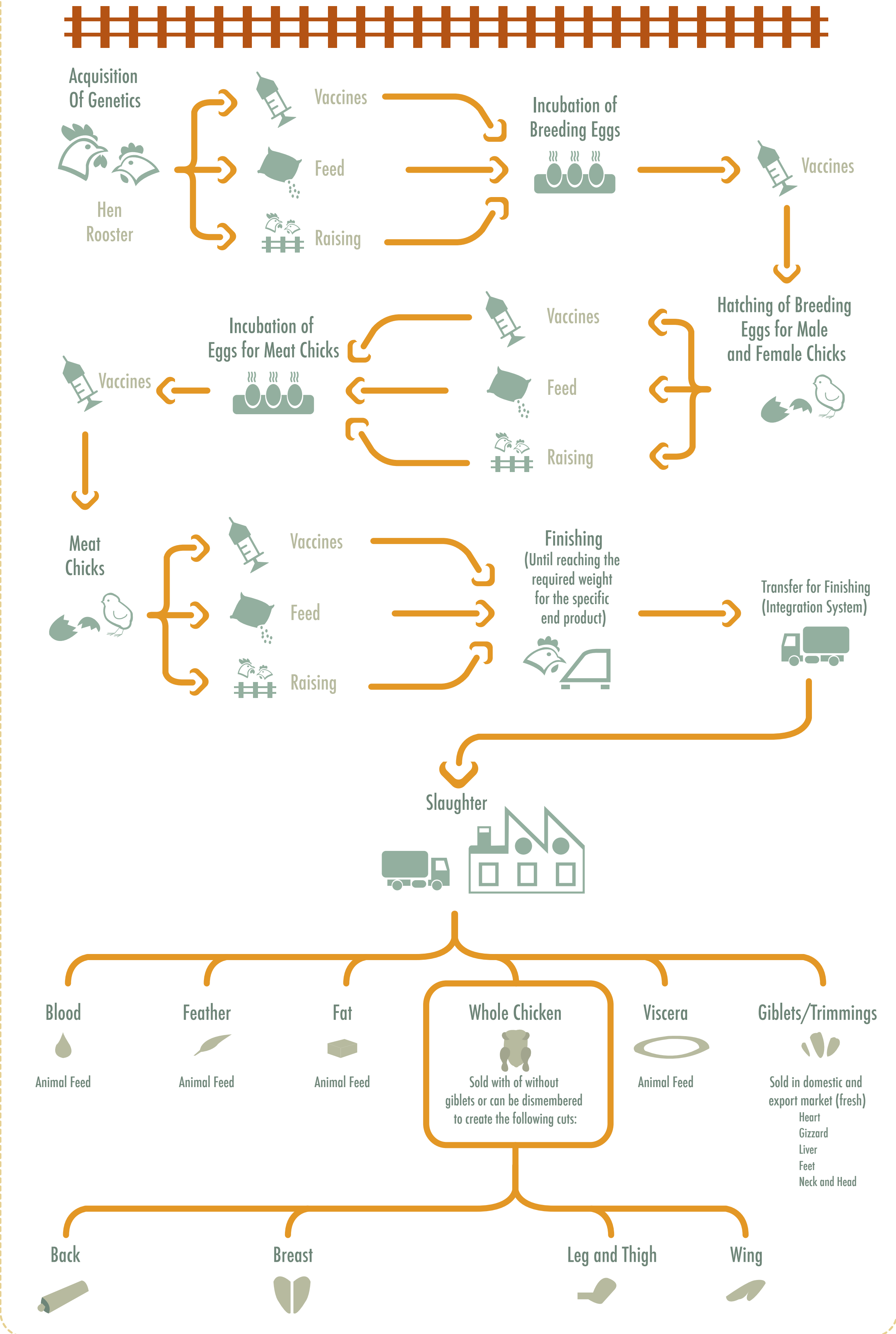
PRODUCTION CHAINS

Marfrig has extensive experience in the animal protein production chain, which has allowed it not only to develop sustainable business in different regions of the planet, but also to identify aspects for improvements and opportunities in the chain, seeking to achieve environmental and operating excellence as well as the Group's usual efficiency and quality.

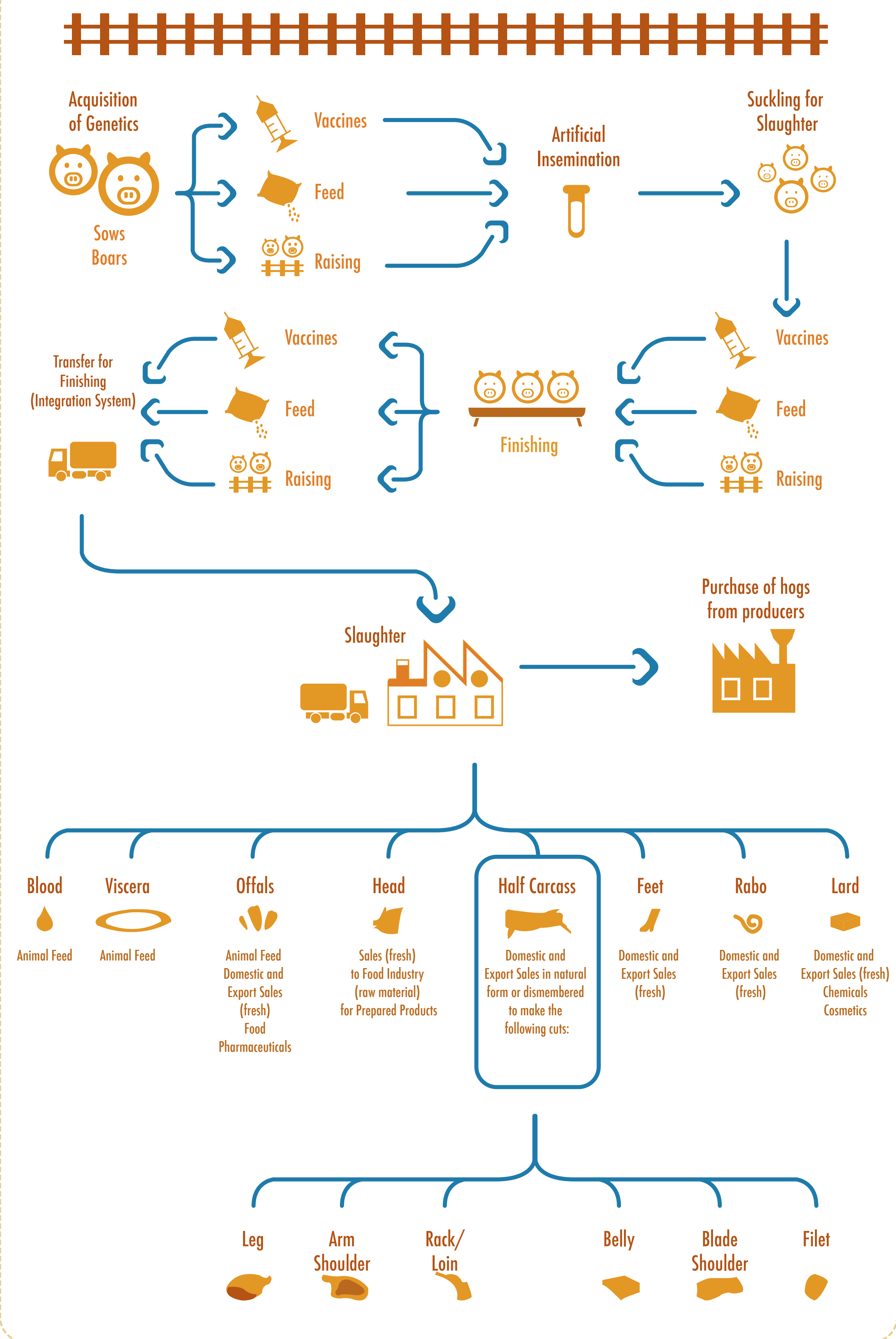



LEATHER
Slaughter
Leather
By-Products
Process
Green or Wet-salted Hides
Sebum, Claw,
Head and Back,
Wet Blue Fleshings
Pre-fleshing,
Unhairing, Fleshing,
Splitting, Tanning,
Classification,
Dripping
Whole Wet Blue Leather
Dying, Drying
Whole Semi-finished Leather
Stuccoing, Buffing,
Painting/Top,
Embossing,
Painting/Top
Whole Finished Leather
Offcuts
Cutting, Splitting,
Perforating,
Laminating
Pre-cut Leather Kits

POULTRY


Acquisition
Of Genetics
Hen
Rooster
Vaccines
Feed
Raising
Incubation of
Breeding Eggs
Vaccines
Hatching of Breeding
Eggs for Male
and Female Chicks
Vaccines
Feed
Raising
Incubation of
Eggs for Meat Chicks
Vaccines
Meat
Chicks
Vaccines
Feed
Raising
Finishing
(Until reaching the
required weight
for the specific
end product)
Transfer for Finishing
(Integration System)
Slaughter
Blood
Animal Feed
Feather
Animal Feed
Fat
Animal Feed
Whole Chicken
Sold with or without
giblets or can be dismembered
to create the following cuts:
Viscera
Animal Feed
Giblets/Trimmings
Sold in domestic and
export market (fresh)
Heart
Gizzard
Liver
Feet
Neck and Head
Back
Breast
Leg and Thigh
Wing

PORK


Acquisition of Genetics
Sows
Boars
Vaccines
Feed
Raising
Artificial Insemination
Suckling for Slaughter
Vaccines
Feed
Raising
Finishing
Vaccines
Feed
Raising
Transfer for Finishing (Integration System)
Slaughter
Purchase of hogs from producers
Blood
Animal Feed
Viscera
Animal Feed
Offals
Animal Feed
Domestic and Export Sales (fresh)
Food
Pharmaceuticals
Head
Sales (fresh) to Food Industry (raw material) for Prepared Products
Half Carcass
Domestic and Export Sales in natural form or dismembered to make the following cuts:
Feet
Domestic and Export Sales (fresh)
Rabo
Domestic and Export Sales (fresh)
Lard
Domestic and Export Sales (fresh)
Chemicals
Cosmetics
Leg
Arm Shoulder
Rack/ Loin
Belly
Blade Shoulder
Filet

AWARDS AND RECOGNITIONS

COMPANY THAT MADE MOST PROGRESS IN THE FOREST FOOTPRINT MANAGEMENT

Forest Footprint Disclosure (FFD) named the Marfrig Group among all the sector companies in the world as the one that advanced the most in managing forest impacts.

10 BEST CDP COMPANIES IN BRAZIL IN 2012

The Carbon Disclosure Program (CDP) chose Marfrig as one of the 10th best Brazilian companies regarding performance and transparent practices in the disclosure of reports on greenhouse gases emission and climate changes.

KING MENES – DOUBLE CROWN AWARD

The Group received the award "Excellence in Partnership" (United Relationship Built to Last) with customer Yum!, in the Middle East.

LARGEST EXPORTER IN THE SECTOR (CUERO) IN 2012

Marfrig received the award for the biggest leather exporter, given by Zenda Leather, which is an industrial leather producer currently operating in the United States and Uruguay.

5TH LARGEST EXPORTER CUSTOMER OF BROU

Award won for the work carried out in Frigorífico Tacuarembó.

EXCELLENCE IN FOOD SERVICE AWARD

Award offered by Aramark, in Chile.

OUTBACK STEAKHOUSE CHAIN'S SUPPLIER OF THE YEAR

Award given to the Marfrig Group by the Outback Steakhouse Chain.

JOINT POULTRY INDUSTRY SAFETY AWARD PROGRAM

Excellence and Honor Prize received by the Group for its excellent safety performance, itself a result of the implementation of efficient and innovative health programs for poultry creation and processing.

POULTEC AWARD

Award given by Poultec Training Limited in recognition of the excellence of the Marfrig Group in managing poultry.

ARENA ENVIRONMENTAL AWARD

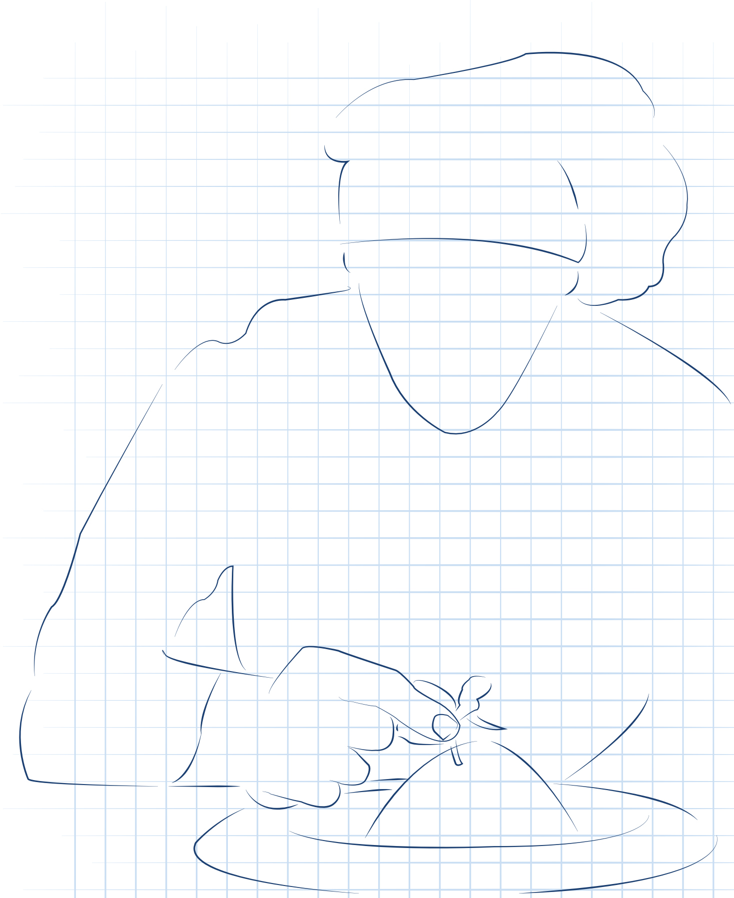
Green seal won by Business in the Community's ARENA Network for the Group's performance in the 14th Environmental Benchmarking Research in Northern Ireland.

CORPORATE GOVERNANCE

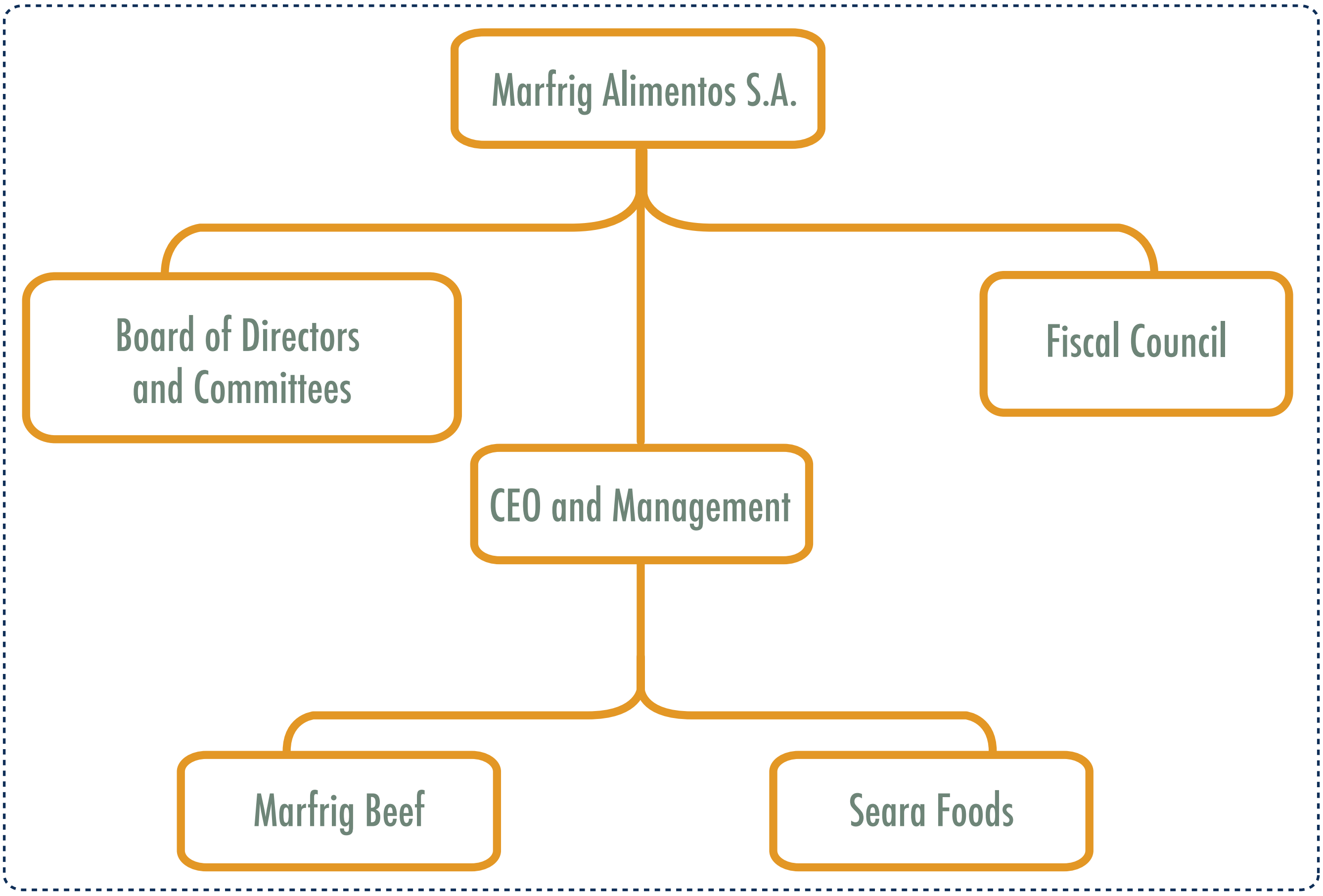
The Marfrig Group is managed by experienced directors and executive officers committed to attaining the highest level of corporate governance. The Group's business is conducted with transparency in the disclosure of information to its several stakeholders – shareholders, investors, customers, consumers, suppliers, employees and society – and develops corporate governance practices that go beyond the recommendations and legal obligations.

As Marfrig is a publicly-held company, it complies with the rules of the Brazilian Securities Commission (CVM) and the Regulation of the New Market (*Novo Mercado*) of the BM&FBovespa – a distinguished corporate governance segment where it is listed –, as well as with the recommendations of the Brazilian Corporate Governance Best Practices Code of the Brazilian Institute of Corporate Governance (IBGC).

The Company's operations are based on ethical commitments and guided by its mission, vision, values and Code of Ethics, particulars widely disseminated to all parties involved with the Group. Marfrig's Bylaws comply with the new provisions of BM&FBovespa's New Market (*Novo Mercado*) Regulation, continuously improving its management practices.



GOVERNANCE STRUCTURE



Board of Directors

The Board of Directors is the collegiate decision-making body responsible for formulating the overall business policies and monitoring their implementation, for appointing executive officers and supervising the officers' management, and for hiring independent auditors. The Board comprises at least five and no more than 11 directors, always elected at a Shareholders' Meeting, to serve a unified term of two (2) years, with re-election or dismissal authorized at any time by the shareholders attending a Shareholders' Meeting.

All resolutions of the Board are taken by the directors' majority vote. In conformity with the Brazilian Corporation Law, the directors are not allowed to take part in any operation or business involving conflicts of interest.

The main topics addressed by the Board of Directors in 2012 were previously analyzed by its advisory committees.

At the end of 2012, the Board was composed of 37.5% of independent directors, who were all re-elected at a Shareholders' Meeting held on April 30, 2011, to serve a term up to 2013.

Board of Directors (on December 31, 2012)

Name	Title	End of office term
Marcos Antonio Molina dos Santos	Chairman	GSM of 2013
Alain Emilie Henry Martinet	Board Member	GSM of 2013
Antonio Maciel Neto	Independent Board Member	GSM of 2013
Carlos Geraldo Langoni	Independent Board Member	GSM of 2013
David G. McDonald	Board Member	GSM of 2013
Marcelo Maia de Azevedo Correa	Independent Board Member	GSM of 2013
Márcia Aparecida Pascoal Marçal dos Santos	Board Member	GSM of 2013
Rodrigo Marçal Filho	Board Member	GSM of 2013

For more information on the profile of the Directors on the Board, please access:
www.ri.marfrig.com.br/port/governanca/diretoria.asp

Board of Executive Officers

Marfrig's statutory executive officers are the legal representatives of the Group, in charge of management and implementation of the general policies and guidelines set forth by the Board of Directors. The Company's Bylaws establish that the Board of Executive Officers shall comprise at least two and no more than seven officers and that one-third of the Directors may hold a position on the Board of Executive Officers.

The executive officers, shareholders or otherwise, mandatorily resident in Brazil, are elected and dismissed by the Board of Directors and serve for a term of three years, with the right to re-election.

Board of Executive Officers (on December 31, 2012)

Executive Officers	Title	End of office term
Marcos Antonio Molina dos Santos	Chief Executive Officer	25/03/2013
Ricardo Florence dos Santos	Investor Relations Officer	25/03/2013
James David Ramsay Cruden	Chief Operating Officer	25/03/2013

Board of Executive Officers (on December 31, 2012)

Executive Officers	Title
James David Ramsay Cruden	CEO e COO Marfrig Beef
David Alan Palfenier	CEO Seara Alimentos
Martin Carignani	CEO Argentina
Martin Secco Arias	CEO Uruguai
Nigel Wallace Boyd Dunlop	CEO Moy Park
Marcos Antonio Molina dos Santos	CEO Keystone

For more information on the profile of the members on the Board of Executive Officers, please access: ri.marfrig.com.br/port/governanca/diretoria.asp.

New CEO for 2014

Graduated in Economy and Law, with an MBA from IBMEC São Paulo and specialization from INSEAD, in France, Mr. Sérgio Rial was elected CEO of the Seara Foods' Business Division by the Board of Directors, and not later than January 1, 2014 he will assume the position of CEO of the Marfrig Group, replacing Mr. Marcos Antonio Molina dos Santos, who shall act as Chairman of the Board of Directors.

Mr. Rial shall also be a member of the Finance Committee and the Compensation, Governance and Human Resources Committee – advisory bodies to the Company's Board of Directors.

The dissociation of the positions of Board of Directors' chairman and Company's CEO or main executive had already been approved in Marfrig's Bylaws, as part of the development of the corporate governance sought by the Company.

Fiscal Council

The Fiscal Council is a permanent and independent body of the Company's management and independent auditors, comprising at least three members and alternates and no more than five members and an equal number of alternates. The Council has the duty to supervise the directors' and executive officers' performance and analyze the financial statements, reporting their comments to the shareholders.

All Fiscal Council members shall reside in Brazil, hold at least an undergraduate diploma or have acted as directors, officers or fiscal council members of another company.

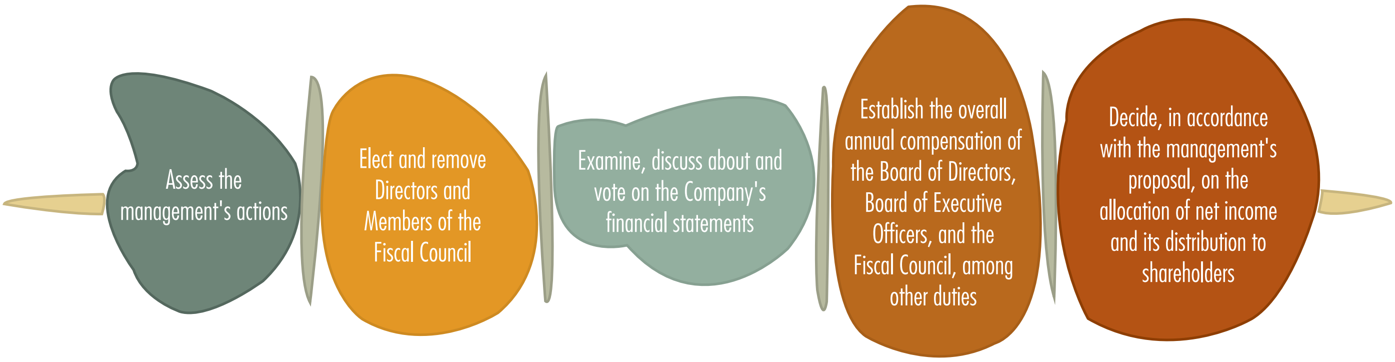
In order to avoid conflicts of interest, the members of the Fiscal Council do not assume duties on the Board of Directors, Board of Executive Officers or as an employee of a subsidiary or company of the same Group, and do not have relationship with the Group's directors, officers and other fiscal council members by virtue of kindred in a direct line and up to the third degree.

Fiscal Council (on December 31, 2012)

Name	Title	End of office term
Marcílio José da Silva	Effective member	GSM of 2013
Peter Vaz da Fonseca	Effective member	GSM of 2013
Roberto Lamb	Effective member	GSM of 2013
Sérgio Tuffy Sayeg	Deputy member	GSM of 2013
Marcello Froldi Negro	Deputy member	GSM of 2013
Antonio B. Coury Jr.	Deputy member	GSM of 2013

Shareholders' Meetings

Marfrig's shareholders' meetings are an instance of interaction and dialog, when the shareholders may make recommendations to the highest degree of governance. The main purposes of the meetings are as follows:



Pursuant to Law 6.404 (Brazilian Corporation Law), shareholders' meetings are summoned at least 15 days in advance on first call and 8 days on second call. The documents related to the Meeting are available to shareholders at the Company's headquarters as well as on its website www.marfrig.com.br/ri.

In 2012, two shareholders' meeting and one extraordinary shareholders' meeting were held to decide on the following agenda: to approve the Management's accounts; examine the Financial Statements of 2011; elect members to the Fiscal Council; establish the Management's overall annual compensation; increase the Company's capital; and make amendments to the Bylaws due to the referred to capital increase and the new provisions of the New Market (Novo Mercado) Listing Rules of the BM&FBOVESPA.

So as to ensure the highest degree of corporate governance in the discussions held at the shareholders' meetings, should there be a conflict of interest between any shareholder and the matter to be discussed, such shareholder shall not be entitled to vote in the conflicting topics, in accordance with Article 115 of Law 6.404/76.

Advisory Committees

The Group's corporate governance structure includes specific committees created to advise the Board of Directors, and they may comprise Directors as well as the Company's executives.

As of December 31, 2012, the Company had three advisory committees, all coordinated by independent advisors. Audit Committee, coordinated by Mr. Marcelo Maia de Azevedo Correa; Finance Committee, coordinated by Mr. Carlos Geraldo Langoni; and Compensation, Governance and Human Resources Committee, coordinated by Mr. Antonio Maciel Neto.

Audit Committee

Has the purpose of supporting the execution of internal and external audit processes regarding issues on accountancy and disclosure of financial information, besides assessing the efficiency of the legal and internal financial controls.

Financial Committee

Responsible for periodically examining investment and financing plans and their impact on the Company's capital structure, and monitoring the maintenance of predetermined liquidity and capital structures. Also this Committee has the duty of analyzing and approving operations.

Compensation, Human Resources and Corporate Governance Committee

Responsible for supporting the decision making related to strategies, policies and internal regulations in human resources, including fixing the compensation and benefits offered to the management, employees and service providers. Also supports the implementation of processes and the control and development of corporate governance practices.

STRATEGY AND ACTION

2012: A YEAR OF CHANGES

After the operational restructuring carried out in 2011, which consolidated the Company's business into two operating segments – Marfrig Beef and Seara Foods – enhancing the Group's corporate identity, the focus in 2012 was on operation, with improvement of business management as a priority. With an equivalent to 40% of Seara Brasil's size, the exchange of assets became an important integrating activity.

Sustainable growth in the long term

The ongoing pursuit of growth opportunities is in line with Marfrig's long-term strategy, the main purpose of which is to build consistent relationships with its stakeholders, in order to guarantee the reputation and recognition of its brands and its consolidation as a global food company, determined to generate results and the sustainability of its businesses.

Exchange of assets

2012 was characterized by the strengthening of the Seara brand in the Brazilian market, especially through the integration of new units and brands resulting from the exchange of assets announced in December 2011.

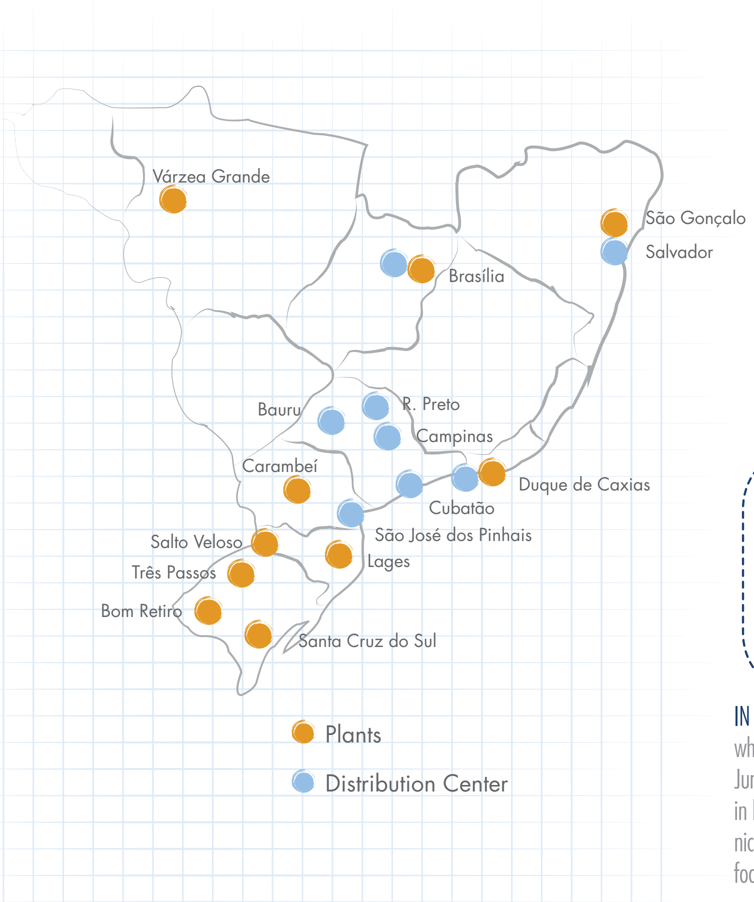
The incorporation of these new assets between June and August significantly expanded the installed capacity for manufacturing value-added products, while the temporary suspension of several categories of products imposed by CADE (Brazilian Antitrust Agency) on the main competitor of Seara in Brazil increased substantially the demand for its products in many of the country's regions, mainly where the Group was not present.

The implementation, adaptation and adjustment process of these new production lines and distribution platforms took place over the second half of the year, and should go on up to the end of 2013, until they are totally integrated and apt to reach their ideal utilization and productivity levels. Then, they will be fully contributing to the value generation of the division, sales growth , increase in the number of customers – with small- and medium-sized retailers being the main focus – and, thus, contributing to the growth of Seara's market share in Brazil.

Among the brands received by the Group, the following stand out: Rezende, an already established and renowned brand of industrialized products in the Brazilian market with a comprehensive portfolio in the main categories – including lasagna, pizza, breaded products, hamburgers, sausages, cold cuts; and Doriana that has been a breakfast item for Brazilian families for many years, strengthening the Company's brand portfolio, launching the Group into the margarine segment.

Greater presence in the Brazilian territory

The new assets acquired by the Group, in addition to considerably increasing the production capacity, also brought industrial plants, distribution centers, bird incubation facilities, breeding stock units and feed plants to strategic locations in Brazil, such as the State of Bahia, which will serve Brazil's North and Northeastern regions.



12 brands repositioned according to the Company's marketing strategies

Escolha Saudável

Market Share increase

More production capacity

+ production capacity of 40,000 tons per month

+ 24% in chicken production

+ 51% in hog production

+ 134% in the production of processed foods

IN THE ASSETS SWAP (TDC-CADE): Marfrig assigned 90.05% of the capital of Quickfood, which is located in Argentina, and to pay R$350 million with down payment settled between June and October 2012, plus 72 installments at the Market interest rate. The transaction is in line with Marfrig's strategy to reduce its operation in Argentina and operate by market niche. The Company is the largest holder of the Hilton Quota in the country and focuses on food service and small-and-mid-sized retailers.

Expansion in the Asian market

Seara has also stood out in Marfrig's operation in the Chinese market. With the strong penetration of the brand, consumers spontaneously started to call it "the red sun brand"; thus, the Company added to the brand's logotype the Mandarin text "“Hong Tai Yang”, which means “Red Sun”.

The Asian market – China ranks fourth among the countries with the highest consumption of beef in the world, and with potential to increase its demand in the near future – also has been one of the main focuses of the Marfrig Group. In 2012, the Company broadened its presence in Asia through the joint venture between Keystone and COFCO.

COFCO Keystone Foods Supply Chain seeks business opportunities in food logistics and distribution services in China and anticipates an investment of more than US$250 million over ten years for the construction of six distribution centers, transportation fleet and an IT support platform in China's strategic cities, including the capital, Beijing, and Shenzhen (where Keystone Foods China processed products plant is located) as well as in the cities of Chengdu, Shanghai, Shenyang and Wuhan.

A second joint venture originated Keystone-Chinwhiz Poultry Vertical Integration, whose goal is to "verticalize the poultry operation in China" and meet the demand for industrialized products, with an investment of US$57 million. Therefore, it reached a processing capacity of 200 thousand chickens per day, and can provide 50% of the raw material demand of the Keystone processing plant in China, without fully verticalizing the poultry operation in the country.

STRATEGY BACKGROUND

GROWTH → DIVERSIFICATION → OPTIMIZATION

	2006	2007	2008	2009	2010	2011	2012
STRATEGY STAGES	Capacity increase Regional diversification		Diversification of proteins Focus on processed products		Global platform consolidation with international distribution		Value-added brand and products
ACQUISITIONS	Tacuarembó 52 years	Mabella 52 years	Moy park, DaGranja, pena branca 69 years	SEARA 56 years	KEYSTONE FOODS 42 years		Assets Swap (TCD-CADE)
DIVERSIFICATION							
FUNDING	Issue of bonds	BOVESPA IPO	Capital increase for current shareholders	Capital increase	Issue of convertible debentures and bonds	Non-convertible debentures and issue of bonds	Assets Swap

FOCUS ON CORE BUSINESS

In February 2012, Keystone Foods concluded the sale of the logistics services business specializing in serving the fast service restaurant industry in the United States, Europe, the Middle East, Oceania and Asia – Keystone Foods LLC. The logistics service business was sold to Martin-Brower Company for US$400 million.

The sale of these logistics assets will allow Marfrig Group to strategically focus on its main business, which is the development, production and marketing of animal protein-based industrialized foods on a global scale.

CHALLENGES FOR 2013

Marfrig undertook to reduce its gross debt in 2013 in pursuit of a better balanced capital structure. For such purpose, a series of operational goals were set down in order to:

» Improve the industrial facilities, focusing on the increase of its capacity utilization and, consequently, on the reduction/dilution of fixed costs;

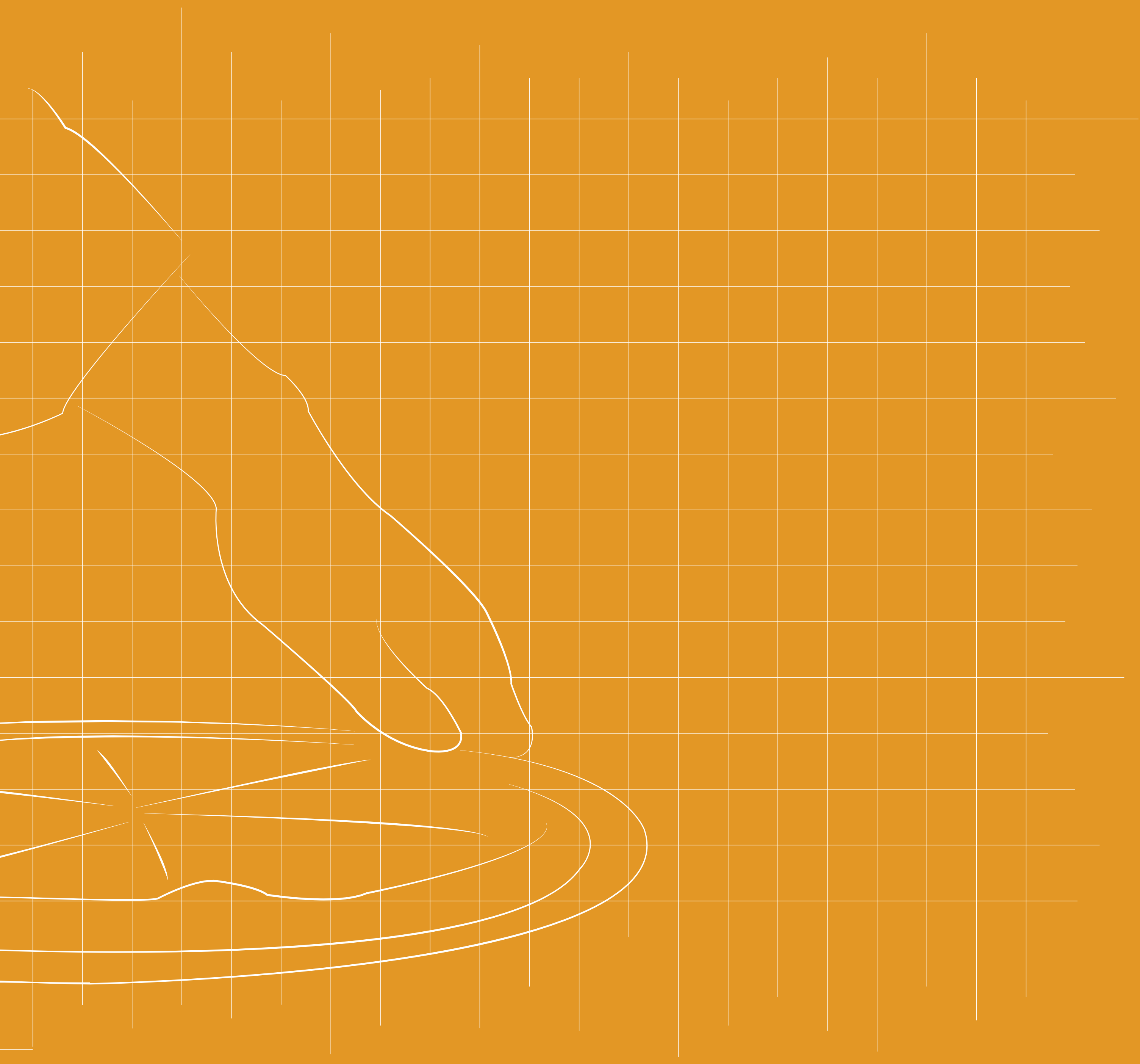
» Maintain a strict control over selling, general and administrative expenses; and

» Substantially improve the capital structure, allowing a more sustainable growth in future years.

All this, strengthening even further the culture of transparency and results and undertaking to submit to the market, from the third quarter, a Strategic Plan that the Company will follow in the next years.

At Seara Foods, following the 2012 customer base expansion – with an increase of almost 100% in Seara Brasil – we aim to conclude the integration of the plants obtained with the exchange of assets in Brazil and to continue the operational improvement of our plants through a more efficient management.

Marfrig Beef will keep the focus of its business on supplying the Brazilian internal market, mainly the food service segment and also with the challenge of continuing to enjoy good phase in the domestic livestock cycle. In Argentina, our target will be to operate by niche market of exporting premium cuts, besides seeking to make full use of the Hilton Quota. In Uruguay, our goal will be to restructure the leather business and improve in operational terms, due to the gradual recovery of the beef production cycle in that country.



BUSINESS MANAGEMENT

MANAGEMENT SYSTEMS

As a result of the regional, cultural and portfolio diversity profile that is typical of the Marfrig Group's business, each division has a customized management model, aiming at optimizing the use of the experience and knowledge of each business in the development of management systems and practices that meet the different needs of its customers and markets.

These particularities are unified through the Group's management culture that, regardless of the tools and practice, sets forth unique principles that seek to value and expand the potential for reaching quality and excellence in all products and services offered, aiming to keep Marfrig Group's business at a sustainable growing level.

Thus, the Group included in its management the Credit 360 tool, Gold Partner of the Carbon Disclosure Project (CDP), which allows the management of indicators in accordance with the guidelines of the Global Reporting Initiative and the CDP, allowing for the constant gathering and monitoring of the sustainability indicators as well as of their continuous change.

Furthermore, each division features management systems aimed to implement on a daily basis the policies and commitments, which are lined up with the global certifications and standards of food quality and safety.

In order to learn about the certifications to which the Group's management systems are subject, refer to the sub-chapter called "quality subject to external standards and regulations", described on page 58.

MANAGEMENT POLICIES

Sustainability, an everyday task

Marfrig encourages all of its employees to observe and pursue sustainability in all of their daily activities. The Group believes that getting involved in sector initiatives and strengthening the dialog with stakeholders are the basis for generating sustainable value in the long term, perpetuating the Company's goal of becoming a global food company.

Its management policies presented below seek to achieve a unified corporate culture, guiding the conduct that aims to imbue Marfrig Group's routine and all its strategies with sustainable development principles.

Code of Ethics: in order to strengthen the internal and external relationships, Marfrig advises all its employees – regardless of their hierarchical level – to follow proper professional practices. The conduct of the Group's employees is guided by the Code of Ethics, which is a document that provides guidelines on the decisions, attitude and duties expected of everyone involved with the Company. "How" to do, and not simply "what" to do, guides Marfrig's actions.

Marfrig's stakeholders can easily access the Code and the application of its provisions is everyone's responsibility. Furthermore, the Company periodically carries out training activities and guidance on how to use the Code. The publication is available in its full version on Marfrig's institutional site: www.marfrig.com.br.

Trading Policy: sets forth rules and procedures to be adopted by the Company and those related with it for the trading of shares issued by the Group, ensuring an ethical conduct on the part of those who hold material information with all stakeholders. The policy prohibits and punishes the inappropriate use of insider information by whoever holds it, so that all shareholders are on an equal footing at the decision-making time.

Dividend Policy: according to the Brazilian Corporation Law and Marfrig's Bylaws, a Shareholders' Meeting must be carried out in the first four-month period of each year to decide on the allocation of annual dividends. When the allocation of dividends is disclosed, all shareholders are entitled to receive at least 25% of the adjusted net income, based on the non-consolidated financial statements.

Disclosure Policy: sets forth the practices for disclosure and use of information, to be complied with by the controlling shareholder, directors, executive officers, fiscal council members and any person that might be aware of information related to a material act or fact of the Company. The executive officer in charge is responsible for publishing the information in broad circulation newspapers customarily used by the Company and make the information readily available at the CVM, the BM&FBovespa and on the Company's Investor Relations site (www.marfrig.com.br/ri), among other procedures that ensure the wide access to this information by the public.

Climate Changes and Natural Resources Policy: has as one of its main purposes to adjust Marfrig's industrial, commercial and service activities to a low carbon economy. Therefore, it promotes a sustainable development culture in all of the Group's plants, including the adoption of practices that encourage the rational use of natural resources and the use of tools to assess risks and opportunities related to the adoption of such practices.

Global Occupational Health and Safety Policy: defines the Company's fundamental responsibilities to be observed routinely in its operation, promoting a safe working environment in compliance with the prevailing laws and technical standards. The policy determines the monitoring of Occupational Health and Safety performance indicators; continuous risk assessment and identification; provision of resources required to guarantee a safe work environment; and the training and mobilization of employees, suppliers, partners and service providers in the Group's safety programs.

PRODUCT QUALITY AND SAFETY MANAGEMENT

Close relationship and partnerships in the supplier chain

Marfrig strives to establish a solid and close relationship with the suppliers and producers that participate in its business chain, so as to ensure a quality and safe product.

To this end, one of the initiatives adopted is the implementation of programs, presented below, for the development of this public, which are the fundamental pillars of an ethical, healthy relation that generates value to all parts involved.

Over the years, Marfrig has developed a solid relationship with several partners, through programs of incentive, studies, technical analyses and constant dialogue. The Company deems this public as essential for the continuous development of the sector and the maintenance of the food quality and safety.

MARFRIG BEEF

The main relationship and management program of Marfrig's suppliers is the Marfrig Club, a project developed to promote the production by its suppliers of sustainable, safe and law-abiding beef. The program offers benefits to conscious producers, according to the level of conformity with Marfrig Club's principles, encouraging them to obtain the most modern food production facility certifications and rewarding farm animals with good agricultural and livestock practices.

Over 1,200 properties throughout Brazil take part in the Program and receive periodic visits from Marfrig's technicians for development support based on three main criteria: animal, social and environmental respect.

Respect to Animals

- Animal welfare
- Health
- Nutrition
- Traceability

Respect to Individuals

- Labor regulations
- Housing
- Education
- Incentives

Respect to the Environment

- Vegetation
- Soil
- Water
- Waste

After analysis of the information, the properties obtain an international certificate of compliance, with ratings according to the level of performance of the items analyzed: beginner, for suppliers that meet up to 74.9% of the requirements, upgrading to Bronze, Silver and Gold categories, until reaching the Platinum category, for those who comply at least with 95% of the items.

The suppliers certified by the Marfrig Club start to enjoy a series of benefits, such as:

» Additional compensation in the amount of the slaughtered animals (Platinum category);

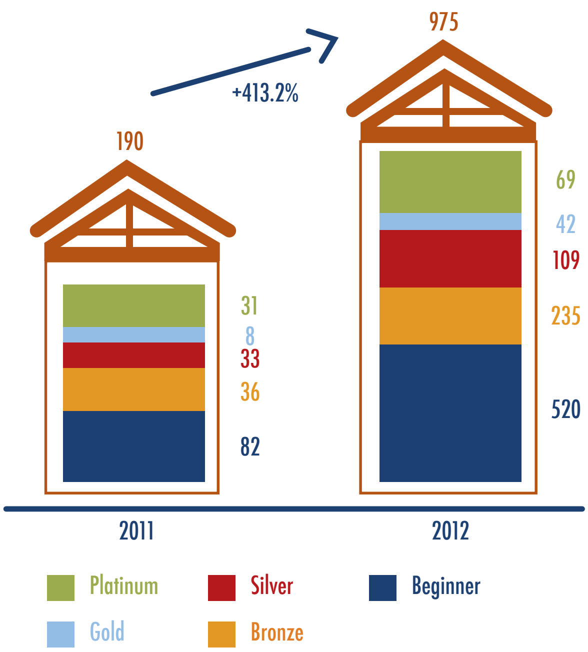
» Partnerships with animal health and nutrition companies, services and inputs in general (from the Bronze category);

» Possibility to take part in other livestock farming programs of the Group.

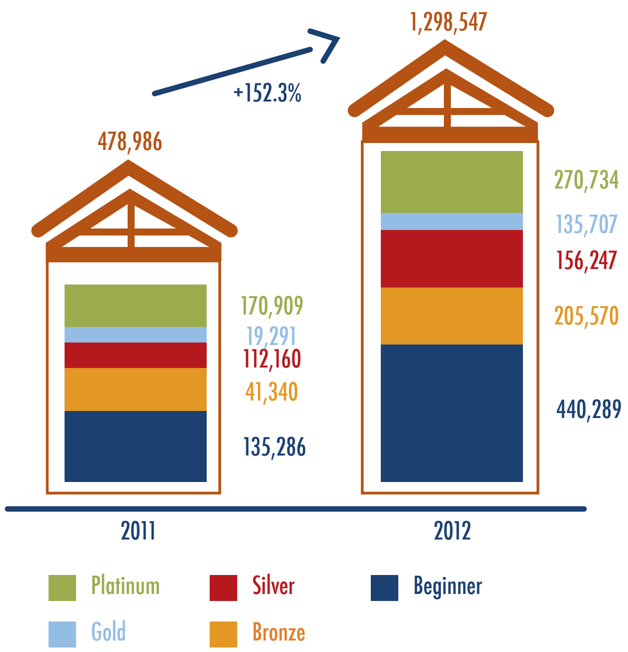
In addition to these benefits, the Marfrig Club offers programs that supplement the base of livestock farmers, such as the *Programa Fomento Angus Marfrig* (Marfrig Incentive Program for the Angus Breed) and the *Programa Fomento Ovinos Marfrig* (Marfrig Incentive Program for Sheep Breeding), besides three race awarding programs: Angus, Hereford/Braford and Nelore.

With this initiative, Marfrig seeks to promote good breeding practices in the Brazilian livestock farming, improving the management of suppliers and ensuring the availability of cattle for slaughter, as well as meat traceability and quality standard to meet the most demanding requirements of the market.

Marfrig Club Evolution - Number of Farms



Marfrig Club Evolution - Cattle Population (million of heads)



SEARA FOODS

Seara Brasil has an integration program with approximately five thousand rural poultry and pork producers. The program aims to move from facility and handling technologies to a system of animal breeding that includes more modern technologies, technical assistance and breeding inputs.

The integration provides a monthly income to the rural families and prizes to partners, upon fulfillment of a series of requirements comprising environmental items and legal compliance.

Focusing on prevention, management includes all technical support needed, such as construction and improvement of facilities, guidance on animal sanitation, safety, nutrition and health, in addition to frequent visits by the Company's technicians who use a periodic check list that includes follow-up on vaccine application, animal weighting, mortality rate monitoring, environment temperature variation, animal comfort level, among others.

Management program figures:

380 technicians involved in this area.

Over 100,000 visits carried out annually.

Average of more than 1 visit per week.

The weekly checklist has more than 40 items to be examined.

Four categories are verified in the checklist for the partners' evaluation:

» Safety, health and the environment: verifies the facilities and the fulfillment of established criteria to ensure the health and safety of all involved in the operation as well as the environment preservation;

» Integration/handling: verifies the management of the operation, including training of all involved and the compliance with the procedures required during the development of the animals;

» Equipment: verifies if the equipment required for the development of the animals is in place and in good order; and

» Biosafety: verifies if Marfrig's procedures for the maintenance of food safety are being observed.

The score obtained by the partner integrated in this check list places him in one of the three categories of the program: A – property that meets the Group's standards; B – property that is acceptable according to the Company's requirements ; and C – property that needs to improve according to action points for improvement and upgrade to category B or A, subject to exclusion in case of non-compliance.

Marfrig also provides all the raw material needed by its producers of poultry and pork (animal feed, vaccines, etc.), helping to ensure the origin of all inputs used in the production, even before protein enters its facilities.

Sanitary interval

The sanitary interval is an important measure for animal health: between the exit of a lot and the entry of the next one – which will use the same physical space as the previous lot – all of Marfrig's partner producers provide an interval of approximately 13 days for cleaning and sterilization of the animal-free environment, so that there is a break in the cycle. As all the animals of the same lot enter and exit together, this measure prevents the transmission of any viruses and bacteria.

Genetics

Marfrig invests selectively in genetics so as to ensure continuity of supply and to control the origin of its protein. The genetic selection is carried out – without any DNA manipulation or intervention – through the selection of more genetically-favored animals as to their biotype, resistance to diseases, and productivity.

All innovations introduced to the breeding of the animals resulted in increasingly efficient animals that reach the expected weight earlier and consume less of the planet's resources such as water and land. The animals, in turn, have responded well to the Company's efforts being increasingly healthy and more productive.

Angus Incentive Program

With the genetic incentive program for breeding of the Angus cattle race, Marfrig searches for producer partners that supply Angus genetic stockfor insemination. In the partnership, Marfrig provides the resources and the technical assistance required and receives the animals bred. Since 2008, the program has already carried out approximately 20 thousand inseminations, ensuring regularity in the premium product offer originated from Angus.

Quality subject to external standards and regulations

The Group's operation strategy consists of the production of high quality, high added-value food that is safe and environmentally and socially responsible. In order to ensure the excellence of the products that arrive on the tables of families all over the world, Marfrig's quality management is always in line with the international requirements, strictly observing the standards and regulations of agencies and governments in the countries where it operates.

All operations of the Marfrig Group are certified by HACCAP (Hazard Analysis & Critical Control Point) / ISO 22000, a food safety global certification.

In addition to the domestic quality standards and regulations met by Marfrig in its operation in different countries, the Company complies with the global quality standards and regulations in its different business units:

Standards and regulations	Description
BRC (British Retail Consortium) GFSI (Global Standard for Food Safety)	Requirements set forth by an English retail organization, which defines standards for production, packaging, storage and distribution of safe food.
ISO 22000	Global standard for the Food Safety Management Systems, which establishes standards for controlling risks in the food production chain, ensuring safety for human consumption.
ISO 9001	Global technical standards that set forth quality management standards in companies of all sectors.
FSSC 22000	Food Safety Certification System created by the Foundation for Food Safety Certification (FSSC) based on the ISO 22000.
UFAS (Universal Feed Assurance Scheme)	Global system for risk and hazard analysis to ensure food safety.
ISO 14001	Global standard that sets forth the requirements to establish an Environment Management System, seeking the balance between profitability and the reduction of environmental impact.
OHSAS 18001	Set of standards internationally recognized for occupational health and safety management systems.
SA 8000	International certification for assessment of social responsibility focusing on the exercise of human rights among the employees.
ISO TS/16949	Standard for the Quality Management Systems aiming at defects prevention and waste reduction in the automotive sector supply chain.
ISO 17025	Rule that sets forth an international standard to certify competence of laboratories that perform tests and/or calibration.
AS 9001	Certification of conformity with the international standards of the aerospace sector management system.

MANAGEMENT OF INTANGIBLE ASSETS

The Marfrig Group considers the intangible assets conquered during its operation as essential characteristics to generate value over the long term; thus, it promotes a careful and close management of the following aspects identified as its main assets:

Brand

Marfrig has a brand portfolio that symbolizes the credibility and trust that the Company gained worldwide from its customers and consumers during the course of its history.

Through the Marfrig Beef and Seara Foods divisions, the Company provides consumers with brands that encompass all market segments, from brands that meet broad demand to the premium and more segmented ones.

Marfrig's interface with the market is carried out both by Seara – a global brand sponsor of the Brazilian Soccer Team until 2013 and of the 2014 FIFA World Cup –, as well as by the local/regional brands such as Bassi, Mabela, Pena Branca, Da Granja, Abeerdeen Angus, La Morocha, among others. The Company also operates through licensed brands, such as Pemican (USA), Jamie Oliver (Europe) and Montana (Brazil), besides offering a broad variety of private label products to the large international retail and supermarket chains.

In the food service segment, Marfrig supplies food and food service solutions to restaurants, steakhouses, hotels, snack bars and to the main fast food chains worldwide, ensuring quality, safety and innovation in the products sold by its customers to consumers.

Human Resources

As of December 31, 2012, Marfrig had 91,236 employees in 18 countries; some of these employees are the result of the Company's organic growth, whereas the other part has been added to the team through the strategic acquisitions made over the years.

In both cases, Marfrig invests in the dissemination of a corporate culture based on its mission, vision, values and Code of Conduct, in order to have employees not only skilled and motivated, but also committed to the sustainable vein that runs through all the Company's corporate decisions.

The profile of these employees, aligned with the Group's goals and principles, is an essential asset for achieving its sustainable growth strategy with quality and excellence.

Expertise and Knowledge of Customers

Marfrig has built long-lasting relationships with its customers and consumers, based on trust and value generation . If on the one hand the Company is ever more transparent, opening its doors so that all its stakeholders have access to its production chain processes, on the other hand, such relationship allowed Marfrig to get to know its public even better, making it possible for its Research & Development area to offer products increasingly in line with the consumers' requirements, regardless of any particularities of their culture or nationality.

The pursuit of client satisfaction – a topic considered relevant by our stakeholders, as presented in the materiality matrix on page 11 – is an aspect constantly analyzed in the Group's business, by means of market and customer research in all regions where Marfrig operates through its various brands.

Research & Development

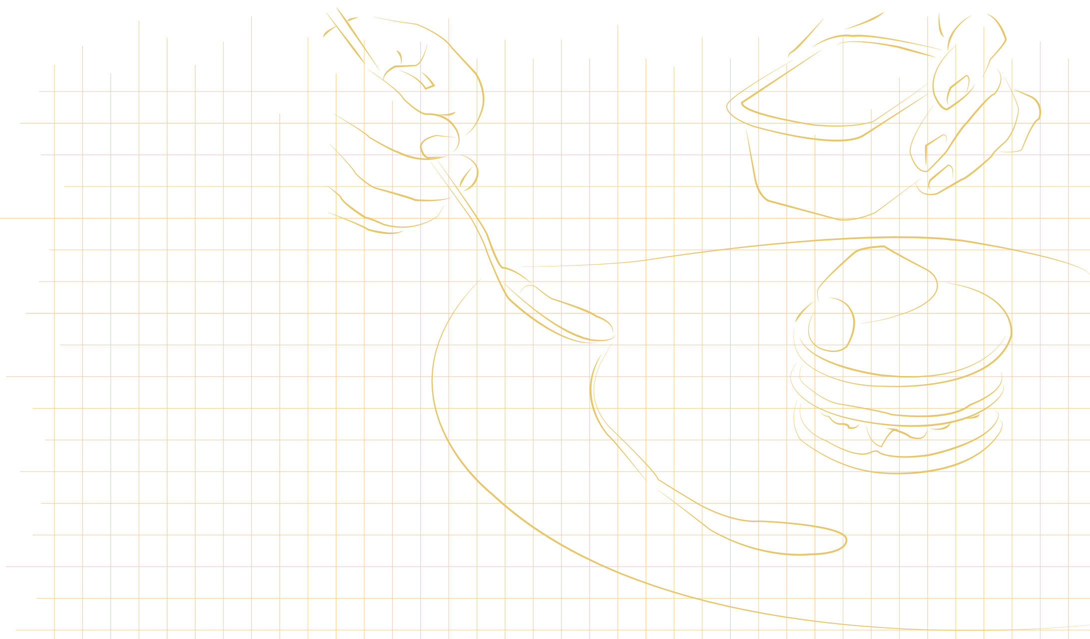
The Marfrig Group offers a structure with specialized professionals and pilot plants in the United States, Europe and Brazil for the research and development of innovative quality products, designed to meet the needs of consumers. In 2012, the Company invested in R&D, resulting in the launch of new products and the improvement of the products already part of its portfolio.

Among the research highlights , the microwaving manufacturing process stands out, meeting a demand that values practicality and flavor, with differentiated quality and flavoring and spicing technology. One of the main launchings that resulted from this work are the range of sandwich ready for consumption in Brazil, which stand out for being grilled and having different sauces and flavors.

Besides the aforementioned projects, the research team worked on new fillings and flavors for frozen pizzas and launched new beef cuts of the Angus Race, in addition to new special Lamb cuts.

Another highlight coming from the R&D area is the Minced Meat in Modified Atmosphere, a process that replaces the air that involves the product for a mix of gases of food purity, providing better quality, physical, chemical and microbiologic conditions for larger period of time, in addition to increasing the mechanical resistance of the packaging.

Furthermore, a project involving High Voltage Stimulation (HVS) process is being developed, which seeks to accelerate the installation of the rigor mortis for improving meat characteristics.



Management with focus on sustainability

Sustainable growth is a value that encompasses all the Group's dimensions and is based on the know-how acquired by the Company, which is currently a benchmark in sustainable actions in the animal protein market. At Marfrig, business development and the expansion of activities are always lined up with the processes integration in order to reduce the adverse impacts of its operation, maximize its efficiency by decreasing costs and expanding results, and deliver products and services with quality and safety.

By operating in the food sector, the Marfrig Group recognizes that sustainability is essential to life; therefore, in order to meet this growing global demand, it constantly seeks to reduce its adverse impact on the environment, animal welfare and health of people. The Company tries, thereby, to generate value to all its public and maintain the constant development of its business and the places where it operates over the years.

Therefore, the Group sees it as fundamental the integration of sustainability practices and policies to the Company's strategy and its decision-making process. For this reason, it has established goals for a process of institutionalization of sustainability, by making this area an integral component in the agenda of those in charge of Marfrig's management and corporate governance.

Governance and sustainability goals set for 2014

1. Improve qualifications of its advisors on sustainability issues through specific internal events. In order to monitor this issue, the Company will develop a policy to select members so as to lay down the requirements needed to create this body.

2. Create mechanisms for the Board of Directors to monitor the Company's financial, economic, social and environmental performance.

3. Establish a compensation policy for the Board of Directors and the Board of Executive Officers that is linked to the Group's financial, economic, social and environmental performance. The key indicators for this portion of the variable compensation will be subject to the continuous follow up of the two aforementioned boards.

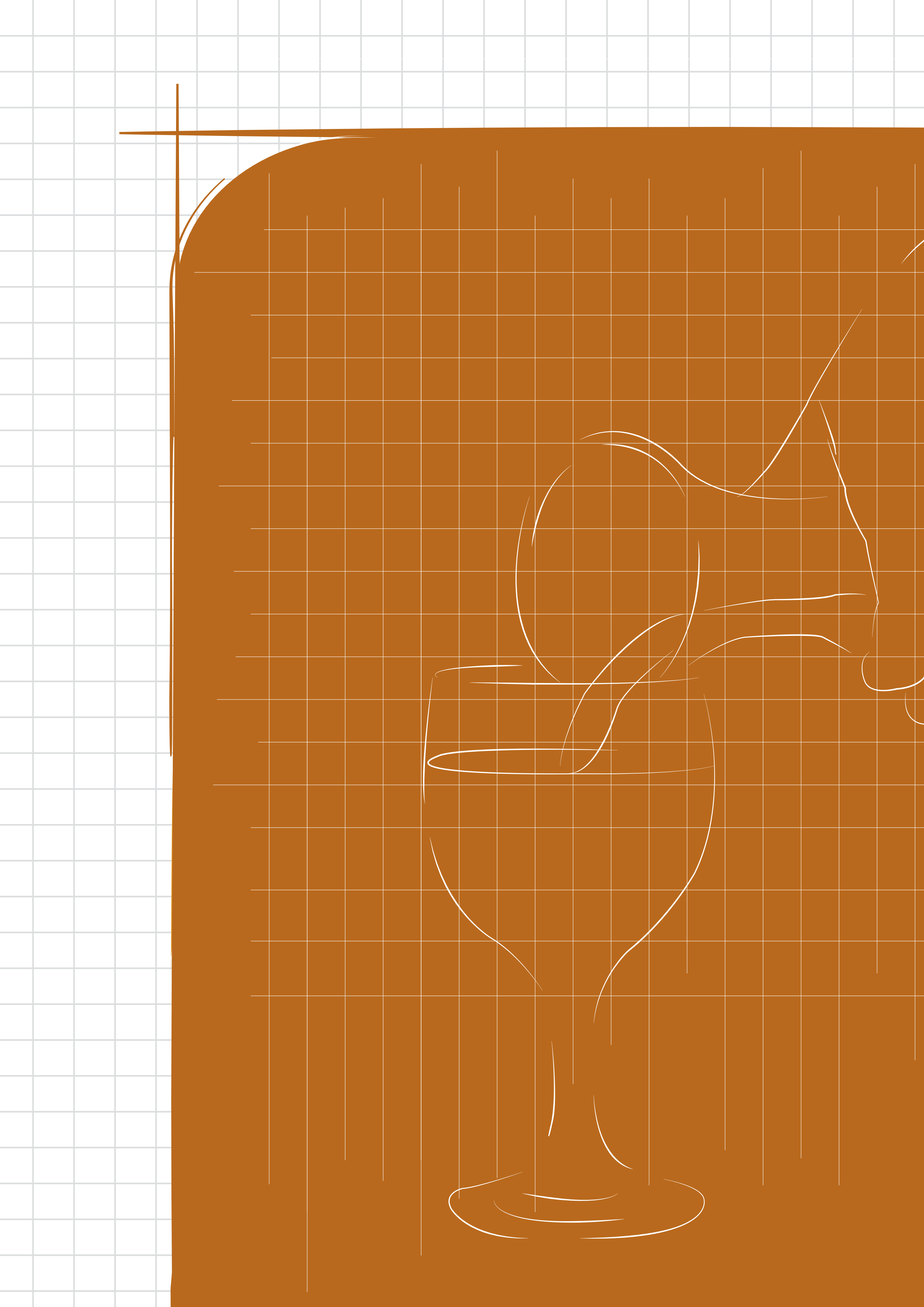
4. Implement a self-assessment process involving financial, economic, social and environmental criteria associated to the Company's overall performance and to the directors' commitment to participate actively in the resolutions.

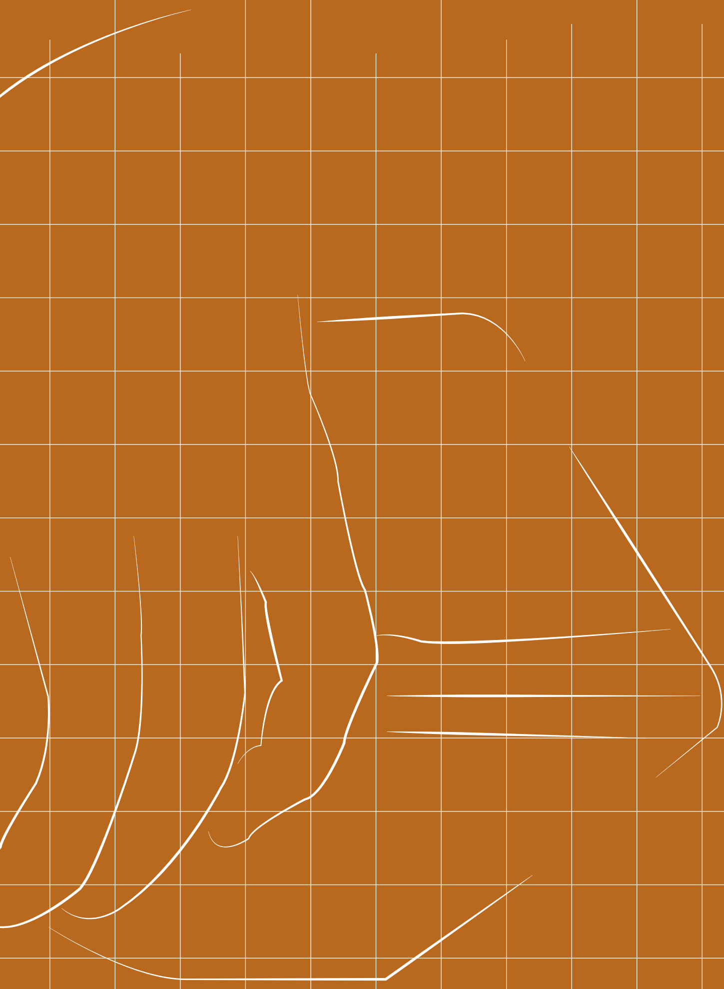
RISK MANAGEMENT

The Marfrig Group identifies, monitors and develops strategies to reduce the risks to which it is exposed so as to minimize any effect they might have on the Company. Geographic diversification, careful credit analysis and climate changes are some items of the strategic planning used to reduce possible negative scenarios and maintain sustainability of the Company's business. The main risk categories managed by Marfrig are:

To learn about the full risk matrix, access the Reference Form available on www.cvm.gov.br or on the Company's site on www.marfrig.com.br/ri.

Factor	What is the risk?	How is it minimized?
Liquidity	The Company may face difficulties in fulfilling its financial obligations about to fall due.	Marfrig manages its capital based on capital structure optimization parameters, focusing on liquidity and leverage metrics that enable a return to shareholders in line with the risks assumed in the operation.
Interest Rate	The Company may incur financial losses due to adverse changes in interest rates, which may affect the Company's assets and liabilities indexed to the Long-Term Interest Rate, the LIBOR and the Interbank Deposit Rate.	The Group continually monitors market variables to assess the need for entering into derivative contracts to hedge its operations against the risk of fluctuations in these rates.
Commodity Prices	Cattle, grains and energy are among the commodities that comprise the Company's production cost and are subject to certain variables.	So as to reduce the impact over commodities, Marfrig manages inventory levels, keeps cattle in feedlots and trade derivative financial instruments in the futures market, among other transactions.
Credit	Possible financial losses for the Group, if a customer or counterpart in a financial instrument fails to comply with contractual obligations.	The Company limits its exposure by analyzing credit and managing customers' portfolio, seeking to minimize the economic exposure to a certain client or market that may cause significant losses.
Exchange	Sharp fluctuations in foreign currency exchange rates may lead the Company to incur losses, causing a reduction in the value of its assets or an increase in the value of its liabilities.	Given that approximately 74% of Marfrig's revenues were denominated in currencies other than the Brazilian real, the Company enjoys a natural hedge for the maturity of its future obligations in foreign currency.
Climate Changes	Changes to the climate may affect negatively or positively the availability and costs of inputs used by the Group, in addition to other operating impacts.	Marfrig operates with a variety of products and a wide geographic diversity, thus substantially reducing these risks. Furthermore, the Company is very attentive to climate events, seeking to reduce any related risks and identify possible opportunities.





SUSTAINABLE DEVELOPMENT

COMMITMENT AND RESPONSIBILITY

The search for sustainability is an intrinsic strategic factor in the Marfrig Group's business and is based on the triple bottom line concept (Sustainability Triple), which comprises the results of an organization assessing the social, environmental and economic aspects.

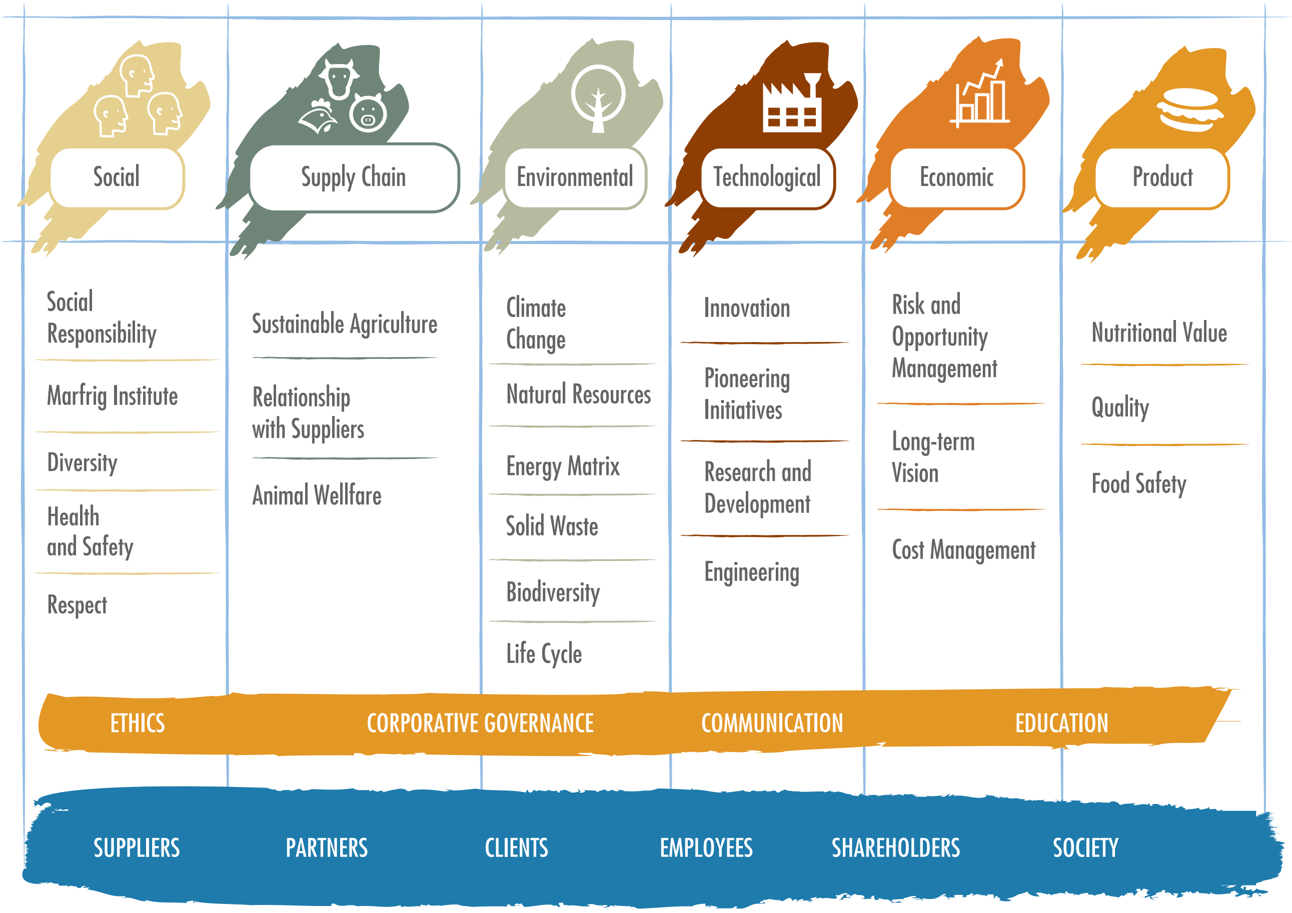
The Company seeks to execute solid commitments and strategies to continuously develop the sustainability of its business. For such purpose, the Marfrig Group has a **sustainability management board**, which supervises the planning and monitoring of sustainable initiatives of the different divisions and companies of the Group, unifying the sustainability concept for Marfrig, so that it continues to be a benchmark in the market in this area.

The sustainability corporate strategy is composed of six dimensions and permeates all of the Group's divisions, which contemplate all of its stakeholders: suppliers, partners, customers, employees, shareholders and society.

Its creation process involved consultation of the Company's stakeholders and participation in sustainability events, which brought results that constituted eleven main pillars of the Group's business. These pillars were, then, weighted according to their potential for affecting the business or be affected by Marfrig and gave rise to the six dimensions of the Group's sustainability strategy:

The continued improvement of its actions, the technological innovation, transparency and good corporate governance practices have constituted groundbreaking initiatives and practices in the construction of sustainable development.

With this profile and goal, Marfrig is part of the "Business in the Community", an international network of companies responsible and committed to building a sustainable future.



Based on these six dimensions, the Board of Directors established social and environmental targets that must be reached by 2020. The next table shows the status of the main items:

Area	Commitment for 2020	Status
OccupationalHealth and Safety	No fatality should occur as a result of occupational accidents, and reduce the safety and occupational disease rate to a number lower than 1.5.	A new action plan will be launched in 2013 to strengthen the Company's safety culture.
Diversity	Increase by 40% the number of women in leadership positions.	The Company has been seeking strategies to increase the number of women in leadership jobs.
Social Responsibility	Set up houses of the "Do and Be Happy Project" in all of the Group's units.	By the end of 2012, the project had already benefitted more than 170 children through activities related to culture, health and safety.
Social Responsibility	Provide disadvantaged communities with access to healthy foods, at reduced prices, through structured programs.	The Marfrig Group has been studying and setting up partnerships with organizations to make the development of these programs viable.
Environment	Relatively, reduce by 30% the CO_2 emissions, by 10% water and energy consumption, and allocate to landfills no more than 5% of all waste generated by the Company.	In comparison to 2012, it was possible to notice a 14% reduction in CO_2 emissions in scopes 1+2. Compared to 2011, there was a reduction of 1.42% in water consumption and an increase of more than 75% in the consumption of reuse water. For more information, see page 101.
Environment	Boost the incentive for participation in the CDP Supply Chain, inviting 500 suppliers to take part in the initiative.	By July of this year, 53 suppliers had already reported on the full or partial stages of their operation with regard to GHG emission.

Participation in Entities and Associations

In addition to the initiatives and practices developed internally, the Marfrig Group also takes part in different entities and associations that operate in important points related to the Company's business, for the development of the sector and its sustainability.

MARFRIG BOVINOS BRASIL

» ABIEC – Associação Brasileira da Indústria e Exportação de Carnes (Brazilian Association of Processed Meat Exporting Companies)
» GTPS – Grupo de Trabalho da Pecuária Sustentável (Sustainable Beef Working Group)
» GSRB - Global Roundtable for Sustainable Beef
» ABIEC / USP – Support to the Project for Tecnological Updating of the Animal Protein Traceability by using the RFID (Radio Frequency Identification) Technology
» SINDICARNE – Sindicato de Indústria da Carne nos Estados (Meat Industry Trade Union in the States)
» Federação de Indústrias dos Estados (Member-States Industry Federation)

MARFRIG BOVINOS ARGENTINA

» ABC Consorcio de Exportadores de Carnes Argentinas (ABC Argentinian Meats Exporters Consortium)

TACUAREMBÓ URUGUAI

» Cámara de Industrias del Uruguay (CIU - Chamber of Industries of Uruguay)
» Cámara de la Industria Curtidora Uruguaya (Chamber of Uruguayan Tanning Industry)
» Asociación de la Industria Frigorífica del Uruguay (ADIFU - Meat Processing Industry Association of Uruguay)

SEARA ALIMENTOS

» UBABEF – União Brasileira de Avicultura e Exportadores de Frango (Brazilian Poultry Industry and Exporter Association)
» ABIPECS – Associação Brasileira da Indústria Produtora e Exportadora de Carne Suína (Brazilian Pork Industry and Exporter Association)
» Brazilian Animal Protein Forum
» SINDICARNE – Sindicato de Indústria da Carne nos Estados (Meat Industry Trade Union in the States)
» GlobalGAP (Global Good Agricultural Practices)
» Industry Federation in the States
» ACAV – Associação Catarinense de Avicultura (Poultry Association of Santa Catarina)
» SINDIRAÇÕES – Sindicato Nacional da Indústria de Alimentação Animal (Brazilian Trade Union of the Animal Feed Industry)

» FAPESC / UNESC – Project for Use of Nanovectors in Primary Food Packagings
» FAPESC / ICASA / USP – Support to the Project for Tecnological Updating of the Animal Protein Traceability by using the RFID (Radio Frequency Identification) Technology
» FAPESC / ICASA / EMBRAPA – Support to the Project of Animal Identification by DNA

KEYSTONE – USA

» American Meat Institute
» American Meat Science Association
» University of Nebraska - Food Allergey Research and Resource Program (FARRP)
» Southwest Meat Association
» SSAFE (Safe Supply of Affordable Food Everywhere)
» National Meat Association
» GFSI (Global Food Safety Initiative)
» National Chicken Council
» National Turkey Federation
» U.S. Poultry & Egg Association
» USA Poultry and Egg Export Council
» National Poultry and Food Distributors Association
» Association of Veterinarians in Broiler Production
» American Association of Avian Pathologists
» American College of Poultry Veterinarians
» AVMA Food Safety Action Committee
» American Veterinary Medical Association
» Poultry Science Association
» World's Poultry Science Association

KEYSTONE EUROPE

» SAI (Sustainable Agriculture Initiative)
» SSAFE (Safe Supply of Affordable Food Everywhere)
» GFSI (Global Food Safety Initiative)

KEYSTONE APMEA

» Federation of Malaysian Manufacturers (FMM)
» Thai National Shippers Council (TNSC)
» Korea Meat Industries Association (KMIA)
» Korea Meat Trade Association (KMTA)
» The Korea Chamber of Commerce & Industry
» Australian Meat Industry Council
» Australian Industry Group

MOY PARK

» a.v.e.c. – Membership of European poultry trade association
» British Poultry Council – Membership of UK poultry trade association
» Business in the Community (BiTC) – Membership of the UK's top business lobbying organization
» Chilled Food Association
» Northern Ireland Chamber of Commerce
» Northern Ireland Food and Drink Association (NIFDA)
» Northern Ireland Poultry Association
» Red Tractor – Membership of quality assurance scheme
» Round Table on Sustainable Palm Oil (RSPO)
» Foodservice Suppliers Association of Australia

RELATIONSHIP WITH STAKEHOLDERS

Based on respect, promotion of dialog and development of trusting relationships with each stakeholder, the Marfrig Group develops and implements several measures throughout its operating chain, in order to guarantee the sustainability of its business and strengthen its commitment to society.

Cultural, educational, health, food safety projects and those related to sporting activities are made available to its stakeholders and are practical results that reveal the Company's values.

Next, we present the main initiatives developed with the Group's stakeholdersand the dialog and exchange channels between Marfrig and these stakeholders.

Suppliers and partners

The relationship of the Marfrig Group with its suppliers and partners is based on management policies and practices that foster the development of their operations and, consequently, the improvement of the quality of the products consumed by the Company and the control of socio and environmental risks.

In this sense, besides the legal requirements, whose compliance by the suppliers and partners is verified by Marfrig, the Company strictly controls admission to the Group, requiring submission of documentation that evidences the quality of their activities and frequent evaluation to ensure safety of the products supplied. Furthermore, since December 2007 Marfrig makes use of the Code of Ethics to set forth parameters for its relations with suppliers and partners.

After the initial assessments and requirements, the Marfrig Group also develops initiatives that support the development of the management and operation of its suppliers and partners, seeking to encourage and guide them to adopt the best sustainability and quality practices.

Marfrig has local suppliers and partners in the regions where it operates and seeks to support them to improve their management of quality and sustainability. To learn more about the programs developed by the Group with its partners, access "Product Quality and Safety Management", on page 53.

Customers and Consumers

Based on respect and fulfillment of the demands of all the regions and different cultures, Marfrig invested in the construction of long-term relationships with its customers and consumers.

Respect may be translated by the careful management of the health and safety standards of its products, which use a research and development methodology that analyzes: the utilization of ingredients and additives for nutritive purposes authorized by competent bodies; the utilization of own raw materials or of qualified third parties – with sanitary certificate issued by inspection bodies; the use of special laboratories to validate the products before they are forwarded for sale; and the performance of periodic sensory analyses to classify the products as to their visual aspect, texture, scent and taste, among other aspects.

Furthermore, several satisfaction surveys of the Group's brands are carried out and all products are tested before marketing and packed with instructions on the best way for storage and preparation.

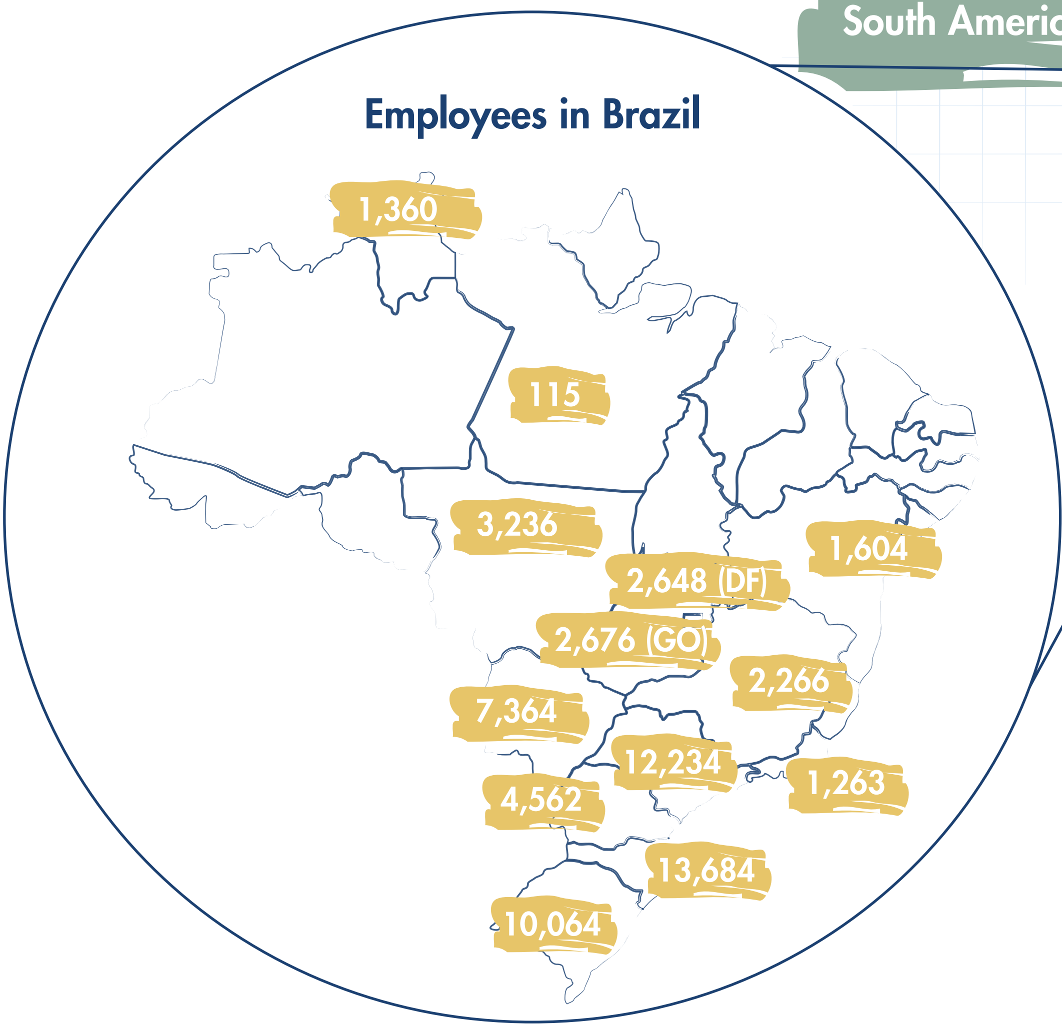
The dedication to customer and consumer service may be seen in the wide distribution network, which allows to offer a complete portfolio of high quality brands and products available in over 150 countries.

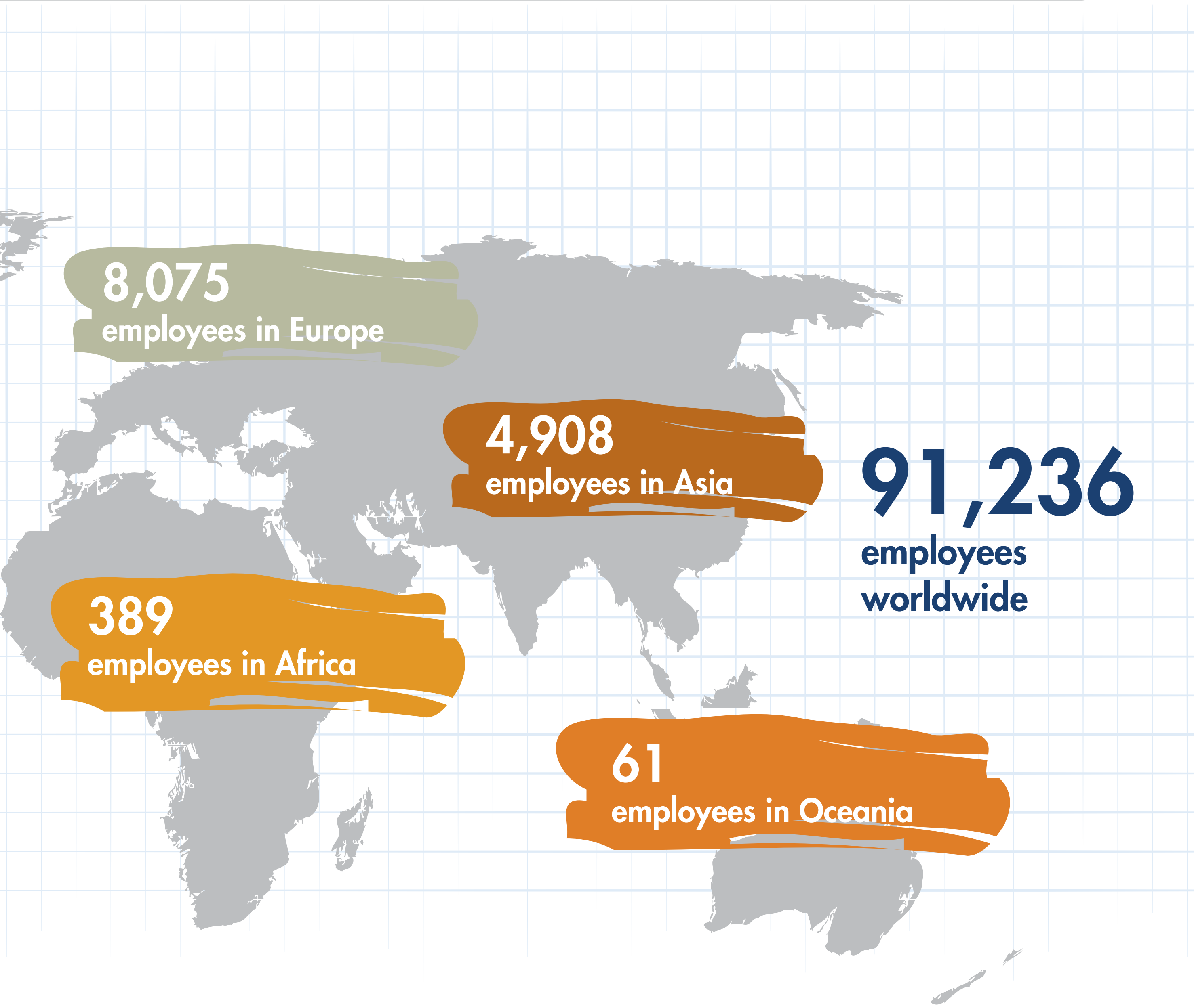
To assess customers and consumers' opinion concerning the services and products provided, the Group carries out, among other practices, internal evaluations and audits. It also has a Customer Service (SAC) that receives suggestions, reviews, complaints and provides information. In Brazil, the Customer Service can be accessed by telephone on 0800-473031 or by e-mail on seara.atende@seara.com.br.

The pursuit of customer satisfaction – a topic considered relevant by our stakeholders, as presented in the materiality matrix on page 11 – is an aspect constantly analyzed in the Group's business, by means of market and customer research in all regions where Marfrig operates through its various brands.

Employees

Marfrig Group's employees are responsible for the quality of the Group's products and services, thanks to their experience and skills, the application of the Company's principles to their daily routine and their commitment to efficiency. That's why they are also responsible for Marfrig's success and essential for the business sustainable growth.

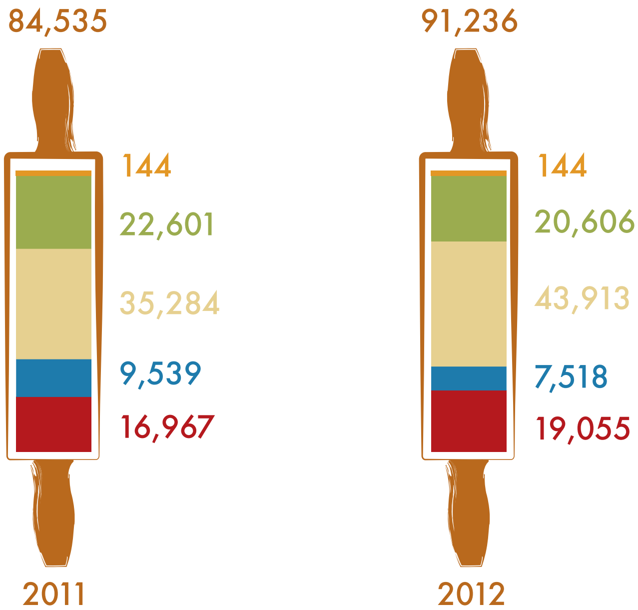




As of December 31, 2012, the Marfrig Group had 91,236 direct employees working in its plants across the globe – a number almost 8% higher than the staff number recorded at the end of 2011 – bearing in mind that over 9,000 employees joined the Group as a result of the exchange of assets in Brazil.

During the year, 34,258 employees left the Company, generating a monthly turnover index of 2.67%. Of this total, 69% of the employment termination took place in Brazil and 31% abroad.

Employees by divisions



Marfrig Holding

Cattle - Foreign Operations*

Poultry, Pork and Processed - Foreign Operations**

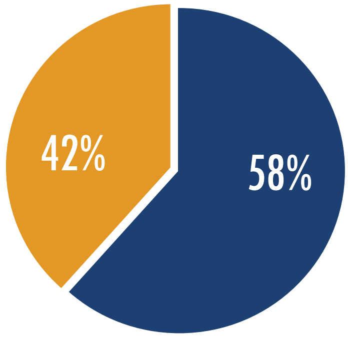
Cattle - Brazil

Poultry, Pork and Processed - Brazil

*Includes Marfood (USA) and Chile employees

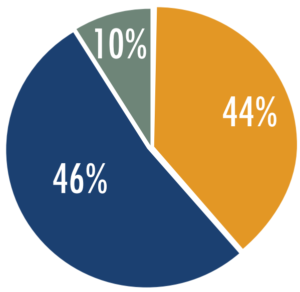
**Includes Moy Park and Keystone employees

Employees by gender



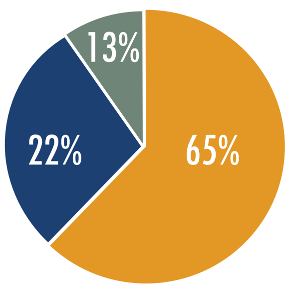
Men Women

Employees by age



up to 35 years old
between 36 and 50 years old
Over 50 years old

Employees by years of service



up to 5 years
between 5 and 10 years
over 10 years

DIVERSITY

Through dialog, in order to build and maintain a solid corporate culture, the Company inhibits any sign of intolerance and discriminatory practices among its employees.

For being a global company, the Group is especially concerned with ethnic and cultural diversity, as well as with the particularities of the localities where it is present, be it in the different parts of Brazil or the other 17 countries in which it operates. This approach is very clear in Marfrig's Code of Ethics, which, besides establishing respect to diversity and harmonic coexistence in the workplace, provides for complaints mechanisms in case of breach of these principles.

The Code of Ethics also indicates the behavior that is expected of employees, so as to cultivate internal and external human relations and protect the Company's reputation in the conducting of business. The document is available to all employees when they join Marfrig's team and on www.marfrig.com.br at all times.

INVESTING IN DEVELOPMENT

As the Marfrig Group thinks human capital is of strategic importance for maintaining the Company's business, it continually invests in the improvement and development of its employees. In-company MBAs, partnerships with Municipal Education Departments and with the National Social Service for Industry (SESI), and Adult and Youth Education courses aimed at the employees and their families are some of the initiatives that reflect Marfrig's dedication to maintaining a qualified professional staff and the personal and professional development of its employees. Moreover, the Company encourages newly-graduated youngsters to join the labor market through internship and trainee programs.

RESPECT TO LABOR RELATIONS

The Marfrig Group strictly complies with all laws related to labor rights and defends a fair company-employee relationship. All are protected by the laws prevailing in their countries, and, in Brazil, 100% of the employees work full time for an indefinite term.

All divisions of the Group observe rigorously the Code of Ethics, requiring their employees to respect the labor practices and decent work, which are closely related to respect to Human Rights.

The Company also has a good relationship with the labor union entities, allowing its employees freedom of choice as to their association and membership of the unions. In Brazil, all of the Group's employees are subject to collective bargaining agreements in their workplaces.

Marfrig totally disapproves of labor exploitation, abuse of power, or any other type of disrespect to the dignity of its employees.

National Pact for Eradication of Slave Labor in Brazil

Marfrig is a signatory to the National Pact for Eradication of Slave Labor in Brazil, an initiative of the Ethos Institute, the Social Observatory Institute, Repórter Brasil (a NGO), and the International Labor Organization, which seeks to implement mechanisms to prevent Brazil's society and business community from selling products of suppliers using slave labor.

COMMUNICATION

The Marfrig Group also has several communication channels with its employees, such as the website, in-company printed and virtual leaflets, the intranet and published reports. It is the Company's policy to provide clearly and directly the most relevant information to the internal public.

COMPENSATION CRITERIA

Compensation of the Marfrig Group's employees, which is set forth by the Compensation, Governance and Human Resources Committee, seeks to offer competitive salaries compatible with the labor market, in addition to a stimulating corporate environment for skills development.

The international business divisions enjoy autonomy to decide on the salary levels and to create programs for evaluation of the employees' performance, always complying with the local labor laws and aiming at adopting the best practices available in the market.

Marfrig's Commitments to its Employees

1. Respect, listen to and treat all its employees in a proper and professional manner.
2. Endeavor to ensure a safe work environment, undertaking to adopt the necessary measures to prevent occupational accidents and diseases.
3. Stimulate and make it easy for employees to take part in activities concerning quality of life and preventive medicine.
4. Provide the minimum conditions for ensuring environment protection and pollution prevention.
5. Adopt a proactive attitude, based on the sustainability strategy, contributing to increase social, environmental and economic awareness.
6. Promote training, skill building and development its employees.

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

HEALTH AND SAFETY

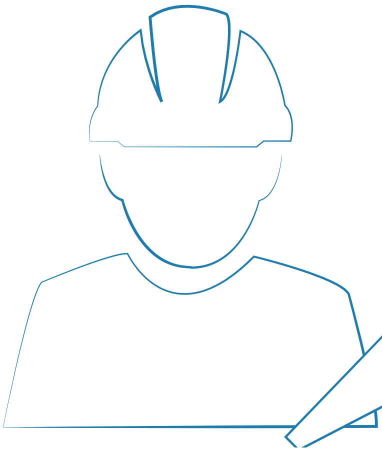
Health and safety are issues routinely dealt with by Marfrig. In Brazil, the Group has more than 400 occupational health and safety workers, such as ergonomists, physicians, nurses, engineers, safety technicians, physical therapists, and speech and hearing therapists. The teams also undergo regular training on the Health and Safety policies and practices, with the aim of spreading a preventive culture throughout the organization.

Health and Safety Training in 2012	
Total training hours	129,337.24
Leadership team total training hours	12,354.50
Operating team total training hours	116,982.74
Training index	1.38

In order to maintain the employees' physical and mental integrity, the Company is strict in complying with the health and safety standards and in finding out the causes of accidents. Furthermore, the Group carries out initiatives that promote health and quality of life, namely vaccination and blood donation campaigns, prevention of diseases and epidemics, and educational talks.

The Company frequently promotes work accident prevention campaigns, provides its employees all Personal Protective Equipment (PPE) needed for their duties and continuously endeavors to improve the safety of and optimize its production systems.

In 2012, in all of its world operations, the Marfrig Group recorded 4,833 accidents, a drop of approximately 53% against 2010, and of around 25%, when compared with 2011, showing that the Group's measures have produced results and that the objectives and goals established are being reached.



* 23% reduction in the sick leave rate compared to 2011.

* 25% reduction in the number of lost working days due to accidents compared to 2011.

* Reduction of more than 50% of the total incidents reported compared to 2010.

Work-related Accidents and Injuries

Marfrig Group	2011*	2012
Fatal accidents	4	5**
Accidents with lost-time	2,722	2,220
Accidents without lost-time	3,720	2,613
Total accidents	6,442	4,833
Days lost due to accidents	50,284	37,871
Rate of accidents with lost-time	18.87	12.00
Occupational disease without leave	1,607	2,097
Occupational disease with leave	726	717
Total occupational disease	2,333	2,814
No. of days lost due to occupational accidents	32,073	30,897
Rate of days lost	5.03	3.87

* The information related to 2010 is not available.

** Four deaths occurred as a result of the accident in the tanning unit in the municipality of Bataguassu (Mato Grosso do Sul State).

The Occupational Health and Safety Policy is applied to all the industrial plants with regular audits. Eleven of these plants are certified by the OSHA 18001 standard on occupational health and safety, and all other plants follow the same standard.

The Group also has an Occupational Health and Safety Committee and an Executive Committee that assess the Group's results as to health and safety. Marfrig takes part, together with the government, in labor unions and industries as well as in work groups that seek to improve health and safety in industrial activities. In 2012, 100% of the employees were represented in these committees.

On January 31, 2012, there was a fatal accident in the tannery unit, in the city of Bataguassu, State of Mato Grosso do Sul (MS), in Brazil, due to an unexpected chemical reaction of a product that was poured in the storage tank by an outsourced company.

The Marfrig Group was deeply distressed and regretted greatly the incident. In addition to investigating carefully the accident by obtaining an expert technical report, the Company offered full financial and psychological assistance to the victims and their families. No fatal incidents took place abroad.

In 2013, Marfrig will launch a new Occupational Health and Safety Plan, which will define short-, medium- and long-term measures, offering even more safety to all of the Group's employees. The definition of criteria for the Corporate Guidelines' internal audit, the Health and Safety targets for all units of the Marfrig Group, and the standardization of technical reports and safety programs in the Brazilian Divisions are some of the new measures that will be introduced.

Among others, the new Safety Plan goals include:

» Reduction of 60% in the Accident-related absence rate;

» Reach an accident frequency rate with absence lower or equal to 1.5 by 2020.

Society

The Marfrig Group carries out social activities that contribute to the development of the communities where it operates and seek to promote health, culture, education, sporting practices, safe food and social assistance.

Keystone and its employees frequently donate money and time to many non-profit organizations around the world, among which are Ronald McDonald House Charities (USA), American Heart Association (USA), American Cancer Society (USA), Clean Up Australia Day (Australia) and Lions Club of Lowood (Australia).

Moy Park, on the other hand, has worked hard in the last two years to find new ways of raising funds for supporting the causes of the third sector. The solutions found range from breakfast up to marathon competitions and mountaineering. Macmillan Cancer Support and Farm Africa are among the institutions that benefited from these actions.

In Brazil, several socially-oriented projects are carried out jointly with institutions and entities, under the coordination of the Marfrig Sustainability Institute.

Founded in 2010, the Institute counts on the incentive and help of the Company and voluntary workers for the benefit of communities in which the Group operates. The Institute has an Executive Committee, which meets every month to assess the projects' progress and promotes initiatives for raising funds for the projects on a periodic basis.

In 2012, through the Institute, the Group invested in 64 projects and social initiatives in the communities, targeting education, sports, nutrition, health, among others, which benefitted more than 13 thousand people.

Among the projects developed, the following stand out: *Projeto Minha Casa* (My Home Project), *Projeto Parque Dom Bosco* (Dom Bosco Park Project), the partnership with the Ronald McDonald Institute, the *Centro de Educação Ambiental Seara* (Seara Environmental Education Center) and the *Instituto Marfrig Fazer e Ser Feliz* (Marfrig Do and Be Happy Institute), outlined below.

MARFRIG DO AND BE HAPPY INSTITUTE FOR SOCIAL RESPONSIBILITY

Conceived by Márcia Ap. P. Marçal dos Santos, the project started with the creation of a department dedicated to social service where the Group's units are located. By the end of 2012, the project operated in three plants – Promissão (State of São Paulo), Bataguassu (State of Mato Grosso do Sul) e Itajaí (State of Santa Catarina) – offering drama, music, dance and craft classes as well as guidance on health and safety for over 170 children.

The project is coordinated by a social worker, a volunteers' supervisor and a general services assistant. It also has teachers of information technology, music, dance and provides guidance on personal hygiene and remedial school classes. Marfrig's purpose is to expand the Do and Be Happy Institute in the next years, helping other municipalities in which the Group carries out its agroindustrial activities.

PARTNERSHIP WITH THE RONALD MCDONALD INSTITUTE

With Marfrig's support, the Ronald McDonald Institute develops several initiatives for volunteering and sponsorship of projects aiming to fight child cancer. These initiatives involve volunteer participation of the Company's employees, either by organizing charitable activities or by contributing financially to the construction, refurbishing and maintenance of facilities and purchase of equipment.

DOM BOSCO PARK PROJECT

Through the Institute, Seara Brasil supports the Dom Bosco Park Project, which, since 2005, has offered cultural, educational and vocational activities to more than a thousand children and youngsters in the municipality of Itajaí (State of Santa Catarina). The activities' aims are: generation of income, teaching of music, recreation, having rooms where toys are available (brinquedoteca) and donation of uniforms. To learn more about this project, access www.parquedombosco.org.

PROJECTS AROUND THE GLOBE

Always respecting the peculiarities of each region, Marfrig seeks to maintain its approach in its plants in North America, Europe and Asia. In the United Kingdom, many of the Company's employees strengthen their ties with the local community by teaching defensive driving and traffic safety to students, with the support of the police and the schools in the region.

In the United States, the company has a partnership with Ronald McDonald House Charities in several philanthropic initiatives, including the Guest Chef Night, which prepares dinner for up to 75 people per evening.

In France, Marfrig works with the local governments to reduce noise pollution during night deliveries. Some of the vehicles are certified to operate with less than 60 decibels, that is, they make less noise than a normal talk between two people.

For more information on all the social projects of Marfrig and the Institute, access www.marfrig.com.br/sustentabilidade.

ENVIRONMENTAL MANAGEMENT

In order to continue as a sustainability benchmark in the animal protein segment, the Marfrig Group considers environmental principles throughout the management of its activities and creates opportunities associated to production with sustainable practices in all the industrial, commercial and service areas.

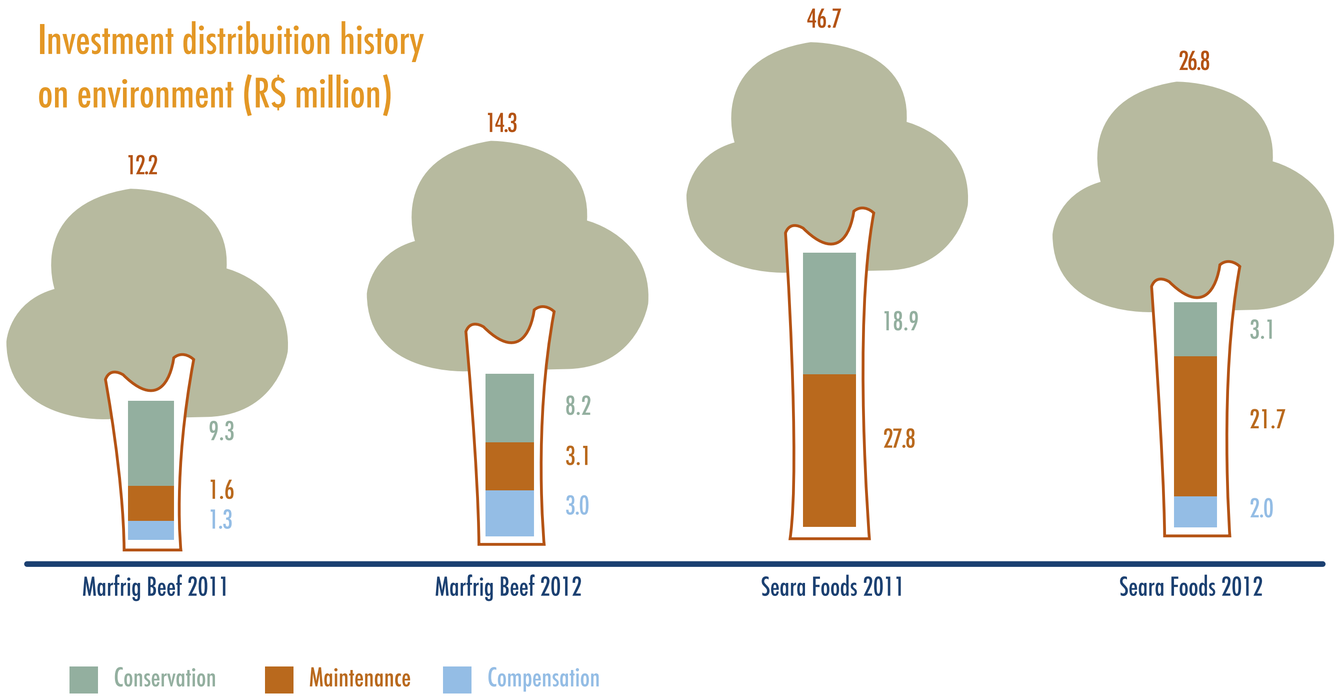
The Company seeks to rationalize the use of natural resources (soil, water and air), and constantly monitors and looks for technological alternatives to re-think the use of these resources and reduce, reuse and recycle inputs and materials.

In 2012, the Group invested R$41.1 million in programs and activities focused on prevention, maintenance or environmental compensation, taking into consideration the materiality of several environmental aspects due to the impact nature of its business. Next, we present the main practices of the Group related to the topics relevant to environmental sustainability.

Courtauld Commitment 2

Moy Park is a signatory to the Courtauld Commitment 2, an agreement that seeks to improve energy efficiency, reduce carbon emissions and environmental impact of the retail sector.

Investment distribuition history on environment (R$ million)



Rasing Awareness

Environment Month

In 2012, Marfrig held the "Environment Month", a period when the Company announces the global sustainability goals assumed by the Group, encourages involvement of employees, and divulges the initiatives related to sustainable development already undertaken by the Company.

Campaign numbers

284 events

360 professionals involved

38,401 employees involved

935 work hours

11,063 people from the communities involved

85 internal presentations

1,550 drawings subscribed

70 external presentations

187 speakers

Drawing Contest

To stimulate reflection and discussion of sustainability issues also in the families of the Group's employees, the Environment Month promoted a drawing contest whose theme was: **"How to preserve the environment?"** More than 1,500 drawings made by the sons and daughters, brothers and sisters, and nephews and nieces of the employees were received from all over Brazil.

Marfrig awarded prizes to the best drawings, in accordance with the criteria described in the Contest Regulation. Each winner of each of the Group's division in Brazil was awarded a bicycle and the big winner's prize was a computer.

Energy

Energy Management

In 2012, the Marfrig Group secured yet another victory in the sustainability agenda: the startup of MFG Energia (the Group's energy distributor), which was authorized by the Brazilian Electricity Regulatory Agency (ANEEL) to operate in the energy free market at the end of 2011. The new operation increases the competitiveness when negotiating with electricity companies, in addition to providing the Group with conditions to better manage the sources of acquired energy by focusing its efforts on cleaner sources, mostly PCHs (Small Hydroelectric Plants) and Wind Power Plants.

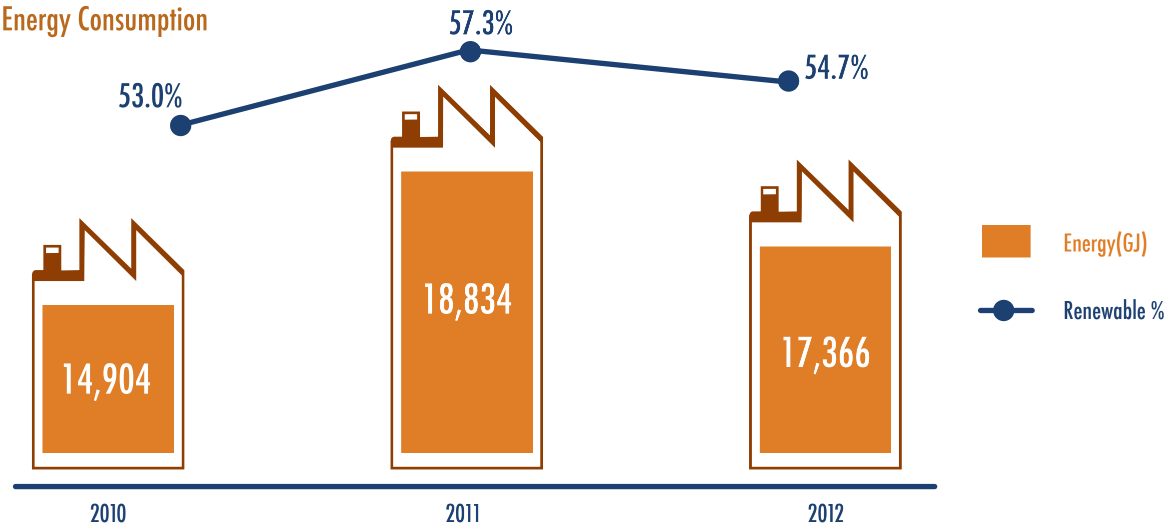
Furthermore, MFG Energia allowed Marfrig to better manage the electric power demand of each production plant, reduce contractual risks avoiding losses – trading the contractual volumes between the Group's plants – and eliminated the costs with management of the free market agreements. MFG Energia also allowed for the capacity to concentrate in a single point the real-time evaluation of the consumption of plants of greater financial importance to the Group.

Marfrig has a cutting-edge energy management system, which makes it possible to assess and project the consumption of each plant, thus matching the needs of each plant operating in the free market with the ideal amount of its effective demand.

Energy Consumption

In 2012, the Group consumed 10,114 GJ of direct energy and 7,252 GJ of indirect energy, totaling 17,366 GJ of consumed energy. Considering the data collected in the two previous years, it is possible to note that in 2012 the Group managed to reduce energy consumption by 7.8% against 2011. The use of renewable energy in 2012 corresponded to 63.7% of the direct consumption and 42.0% of indirect consumption, amounting to 54.7% of the total consumption.

Consolidated Energy Consumption



1. Gigajoule (GJ) is a unit used to measure energy. 1 Gigawatt-hour (GWh) is equivalent to 3,600 GJ.

With reference to fuel, in 2012 fuel consumption from renewable sources added up to 7,656,251 GJ. Fuel consumption from non-renewable sources mounted up to 3,683,337 GJ.

Renewable Sources (GJ)	
Sugarcane Bagasse	249,645
Biodiesel	36,211
Biogas	31,329
Briquette	253,944
Rice Hulls	295,944
Wood Chips	120,410
Alcohol	1,756
Renewable Firewood	5,087,357
Pellets	1,140,625
Lard	269,566
Acid Lard	77,131
Sawdust	92,946

Non-renewable Sources (GJ)	
Sugarcane Bagasse	12
BPF	793,489
Diesel	285,991
LPG	105,335
Gasoline	94
Natural Gas	1,729,503
Native Firewood	563,424
Naphtha	21
Shale Oil	194,086
Parafine	8,591
Propane	2,792
Kerosene	0

Main Initiatives to Improve Energy Efficiency

Promissão II plant, of Marfrig Beef, changed how its cold chambers are operated during peak times and installed a new air purger equipment that reduces the work of compressors. The initiative resulted in a reduction of 28,000 kWh/month, equivalent to 2.4% of the total consumption.

In order to offer products and services with lower energy consumption, the Promissão leather processing plant changed the work cycle of the equipment at the effluents treatment station, an initiative that resulted in a reduction of 1,500 kWh/month, equivalent to 6% of the total consumption.

At Seara Brasil, a project was developed to increase the plants' condensation capacity, leading to energy consumption reduction in the following plants: Amparo 1.7%; Ipumirim 0.7%; Sidrolândia 0.45%; and Caxias Peru 0.85%. A preventive maintenance was carried out in the condensators of the Dourados plant, which resulted in a 1.65% reduction in energy consumption.

Five plants of the Beef division and two of the Seara Brasil have biodigestor cells for production of biogas, which in addition to treating the effluents and minimizing their disposal in the environment, also generate energy and prevent consumption from non-renewable sources. Promissão II plant also performs a biogas purification process, which not only decreases CO_2 emissions in the atmosphere, but increases the plant's energetic potential.

Keystone's plants replaced its metallic vapor lighting by LED lighting, leading to a cost reduction of approximately US$44,000 due to an increase of efficiency and of useful life.

In Ohio, the lighting systems and the cooling units were replaced, resulting in a 2.6% reduction. In Georgia, a new condensator for the cooling system was installed, decreasing the related energy consumption by 4.2% and eliminating the need for purchasing ice for the chillers. In North Carolina, besides the replacement of the lighting system, a control system with movement sensors was installed.

Moy Park, in turn, installed an individual electricity consumption monitoring system for each processing line, implemented a control system in the vapor production plant and installed frequency inverters in the powerhouse compressors. Moreover, the halogen lamps were replaced by neon bulb lamps.

At the plant in China, the hot water pumping installation was replaced by electricity pumps (eliminating the use of diesel) and the vapor boilers were replaced, increasing efficiency by 18%. In Thailand, individual meters to measure energy consumption were installed.

Via the sea

In 2012, Seara Brasil started a pilot operation in the cabotage modality (maritime navigation) for the products destined to Brazil's North and Northeastern regions. The operation was devised to evaluate cost gains and to reduce the limitations of road transport. The initial volume was 137 very successful shipments, which will increase next year. The measure adopted by the team for long-distance transportation effectively allowed, as mentioned, cost reductions, change of modality, delivery reliability, guarantee of product quality, and reduction in emissions.

Water

Water Consumption Management

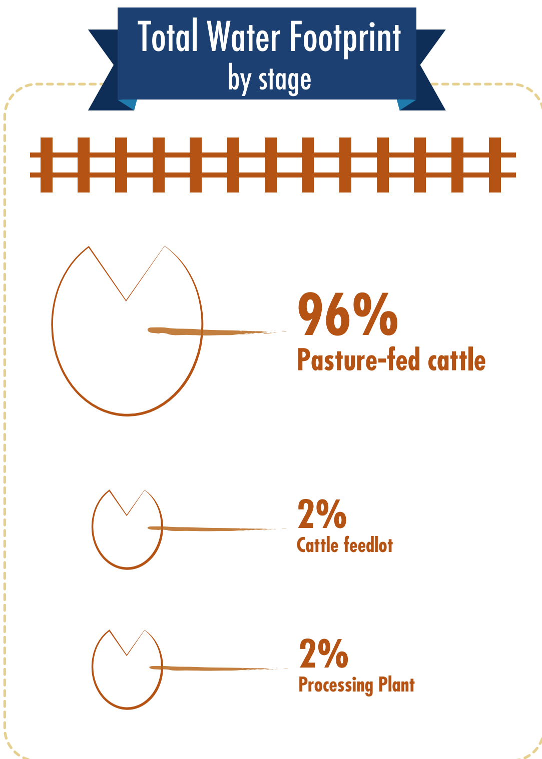
Water is a strategic natural resource for the sustainability of the Marfrig's Group operations. The Company makes a rational and responsible use of this resource, optimizing its utilization in the industrial operations and investing in effluent treatment systems that can return the water to the environment in conditions better than or equal to the water drawn from the water receiving area.

In 2012, Marfrig became the first company of the sector to use the Water Footprint Network methodology to map water consumption.

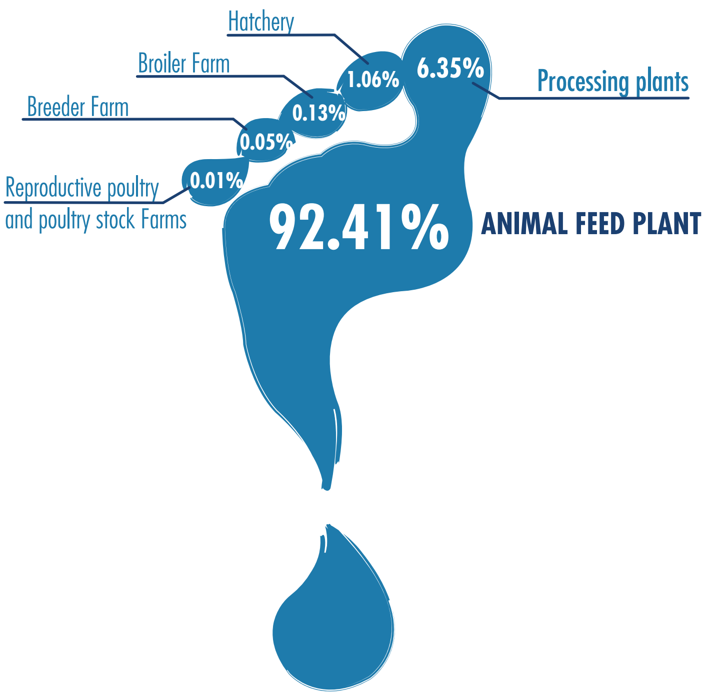
Applying the same principles of the Carbon Footprint (also applied by the Marfrig Group), the "Water Footprint", as it became known, is an initiative of a group of companies throughout the world, in partnership with non-governmental organizations (NGOs) and the United Nations Organization (UNO).

The Water Footprint methodology consists in analyzing the direct or indirect use of water resources, that is, the total volume of freshwater that is used to produce goods and services consumed by individuals or communities.

Water footprint for cattle production



Water footprint for poultry production



The methodology was applied to the Amparo poultry processing plant, in the State of São Paulo, and the Bataguassu beef processing plant, in the State of Mato Grosso do Sul. The results were obtained in the first six months of 2012 and, possibly soon, the methodology may be implemented in the other plants of the Group.

All the studies carried out have contributed to identify opportunities for reduction of consumption and building of scenarios to increase production capacities. The Company prioritizes water reuse projects, such those implemented at the plants Frederico Westphalen (State of Rio Grande do Sul - RS) and Nuporanga (State of São Paulo - SP), where part of the treated effluents are reused at the plant units themselves.

The following table shows a rise in recycled water consumption by the group, and an increase in recycling percentage.

Volume of withdrawal water (in m³)

Sources	2010	2011	2012
Surface	19,540,730.55	19,420,065.49	18,720,318.99
Underground	16,750,467.58	14,779,605.40	17,107,238.54
Third parties	10,122,404.44	11,541,075.01	11,712,656.41
Reuse	697,638.00	947,677.00	1,230,955.37
Other Sources	0.00	0.00	16,024.50
Recycling (%)	0.02	0.02	0.03
Total volume of withdrawal water	46,413,602.58	45,740,745.90	47,556,238.44

Treatment of Effluents

All the industrial plants of the Marfrig Group have effluent treatment systems, which ensure reuse or return of water in proper conditions for the environment. In 2012, the Marfrig Group discarded 39,500,580.15 m³ of treated effluents, always maintaining efficiency above 90% in pollutant removal.

Federation House Commitment

Moy Park is a member of the Federation House Commitment, a committee that encourages companies to rethink their use of water and improve their environmental efficiency.

Total volume discharged in effluents (kg)

2012	Marfrig Beef	Seara Foods	Marfrig Group
COD*	**4,966,436.79**	5,961,785.18	10,928,221.97
Nitrogen	**594,218.64**	1,398,940.26	1,993,158.9

* COD = Chemical Oxygen Demand

Biodiversity

Monitoring of the Amazon Biome

Marfrig uses the Social and Environmental Monitoring System validated by Det Norske Veritas (DNV), which monitors via satellite the properties that supply cattle from the Amazon Biome. It has already blocked nearly 1,600 properties due to new deforestation, slave work, and invasion of indigenous lands and preservation plots.

Marfrig monitors all of its suppliers in the Amazon, checking embargos issued by the Brazilian Environment and Renewable Natural Resources Institute (IBAMA), overlapping of rural properties with indigenous lands and preservation areas, and new deforestation. Monitoring includes a semiannual audit performed by a third party, based on criteria set forth in public commitments for fighting deforestation in the Amazon Biome.

Besides satellite monitoring, the Group keeps in touch with the Brazilian Foundation for Indigenous Peoples (FUNAI), the Chico Mendes Institute for Biodiversity Conservation (ICMBio) and the National Institute of Rural Settlement and Agrarian Reform (INCRA) to be always updated on any conflicts between indigenous people and rural producers, the legal situation, location of conservation units, any problems related to livestock farming and land regularization in the region.

Pact for Sustainability of Walmart Brasil

Marfrig is a signatory to the Pact for Sustainability of Walmart Brasil, to establish commitments with its suppliers regarding the sustainable development of the Amazon, reduction in packaging and development of sustainable production chains.

Goal for 2013

Marfrig's established as its goal to take part in the MEBB (Business Movement for Biodiversity - Brazil), an initiative by the Ethos Institute that seeks the conservation and sustainable use of biodiversity, proposing new ways for companies to enhance their businesses towards a sustainable economy.

The Company also consults regularly with the Federal Prosecution Offices in the states of Mato Grosso and Rondônia in order to request information on any kind of conviction involving livestock farming areas, such as land-grab, agrarian violence, unlawful acquisition of land, conflicts with indigenous people, slave labor, among others.

In addition to the aforementioned procedures, Marfrig promotes good environmental practices among its suppliers in the Amazônia Legal (Legal Amazon), supporting the livestock farmers to obtain the Rural Environmental Registration (CAR), the Single Environmental License (LAU) or the Environmental Licensing for Rural Properties (LAPR).

Pact for Sustainable Livestock Husbandry in the state of Mato Grosso

In 2012, the Marfrig Group signed a commitment for sustainable livestock farming in the State of Mato Grosso in a meeting held by the Regional Federal Prosecution Office. The execution of the Instrument entails a legal commitment to adopt the criteria set forth in order to regularize all the beef production chain in Mato Grosso.

It also sets forth that the food companies cannot purchase animals from properties whose production base is associated to slave labor, land-grab, agrarian violence and illegal deforestation. Also, the animals cannot come from indigenous lands, conservation units, areas belonging to quilombola communities (descendants of runaway slaves), or federal or municipal plots of land not being used by the authorities.

All the acquisition of cattle by the Marfrig Group in Mato Grosso is made with rural properties that hold environmental license or which have already applied for the licensing. This measure allows to better control the supply chain and encourages environmental regularization.

Sustainable Connections Corporate Pact

Marfrig is a signatory to the Sustainable Connections Corporate Pact, for the sustainable financing, production, use, distribution, sales and consumption of beef products originating from the Amazon.

'Criteria for Cattle and Beef Products Operations' Program

Marfrig takes part in the program Criteria for Industrial Scale Cattle and Beef Products Operations in the Brazilian Amazon Biome, in partnership with Greenpeace, covering the registration of farms, monitoring of the native forest and exclusion of suppliers involved in deforestation, invasion of indigenous lands and preservation areas, slave labor, land grabbing and violence in the countryside.

Department of Agriculture and Rural Development

The Department of Agriculture and Rural Development (DARD) seeks to promote sustainable economic growth and development of rural areas in Northern Ireland.

Reforestation and Preservation

In addition to fighting illegal deforestation, Marfrig fosters the legal production of wood through partnerships with rural producers for planting reforestation firewood. In addition to preservation, the initiative has generated income for the producer and the guarantee that the industrial plants will be supplied.

In Brazil, Seara Brasil has been developing a project through which eucalyptus seedlings are delivered to rural producers with the assurance that the wood produced will be bought back 6 years after the plantation. Over 600 producers have already been benefitted by the project.

Marfrig states that all the wood consumed in the plants' operations comes from the trees planted or handled legally and in accordance with sustainable production standards.

Roundtable on Sustainable Palm Oil

Marfrig takes part in the Roundtable on Sustainable Palm Oil, an international organization headquartered in Switzerland that aims to promote the development and sustainable use of palm oil through credible global standards and the involvement of all stakeholders part of the production chain.

Seara Environmental Education Center

Located in the Tamanduá farm, in the municipality of Vargem Bonita (State of Santa Catarina), the Seara Environmental Education Center seeks to promote biodiversity preservation as well as environmental awareness.

The Center has a total area of 1,550 hectares, of which 280 hectares are allocated to reforestation with eucalyptus trees and 1,270 hectares are for preservation of the native forest, where 17 species of the Brazilian fauna are found, officially listed as endangered species.

International Pioneering Spirit

The Marfrig Group received the chain of custody approval of the Rainforest Alliance Certified (RAC) and was the world's first food company in the animal protein segment to track its entire beef production cycle in accordance with the standards developed by the Agriculture Management and Certification Institute (Imaflora) and the Rainforest Alliance, one of the global pioneers in creating forest protection protocols, founded 25 years ago in the United States.

One of the distinctive points about the certification is that the Company's image is more strongly linked to sustainability and it is recognized by the consumers by the seal on the packaging. In addition, RAC adds value to the Company's products, as it meets the world's highest social and environmental requirements in the sector.

The requirements for acquiring the certification were set forth by the Sustainable Agriculture Network (SAN), an international entity that is a coalition of independent conservation organizations, and is the holder of the certification standard that gives the right to use the Rainforest Alliance Certified seal of approval. The audit was conducted by Imaflora, officially accredited to grant the Rainforest Alliance Certified seal in Brazil.

Since June 2012, Tangará da Serra plant, in the State of Mato Grosso, has produced and marketed products abroad with the "livestock farming green seal", the only certification in the world to verify 136 different social and environmental criteria in livestock farms, ranging from reduction of greenhouse gas emissions to the implementation of animal welfare and social conditions practices with the employees and their families.

Animal Welfare

Animal welfare is one Marfrig's most important daily concerns. It is a customary and continuous activity for zootechnicians, engineers, agronomists, veterinarians, among other professionals, who work in all the Group's plants to ensure that adequate treatment is given to the animals, guiding and training cattle producers and keepers on the rational handling and use of restraining and stunning equipment. This process engulfs all the activities that range from the farm to the production plants, and may be translated as respect for the animals in the whole chain.

As for the cattle, the animals are raised on open fields and large land extensions, something that ensures their behaving naturally. This produces lighter and healthier meat for consumption.

The Marfrig Club (described in detail on page 54), an initiative of the Group to stimulate good practices in livestock breeding in Brazil when it comes to animal welfare, health and nutrition, offers guidance and awards prizes to the producers committed to animal welfare. Growth hormones and stimulants in the breeding of meat animals are prohibited by Brazilian and international laws –and are not part of the vocabulary of Marfrig's suppliers. Antibiotic, anti-inflammatory drugs, vitamin complexes and medication are strictly controlled and only used in cases of extreme need and following the guidance of a competent professional.

In Uruguay, Marfrig develops the Ecological Meat program, through which controls and specific certifications ensure fulfillment of international standards in the beef production stages, from cattle raising to processing.

Poultry and pork welfare is assured through the Seara Brasil' integration program carried out with the rural owners. The program offers technical support relating to facilities, health, safety, nutrition and animal health practices. During their weekly visits, the Company's technicians use a check list that include items such as application of vaccines, weighing of animals, monitoring of the mortality rate, variation of the environment temperature, level of animal comfort, among others.

Animal welfare also gets technological support, like, for example, the use of transport equipment with temperature control, which, in addition to providing more comfort to the animals (protecting them from wind and cold or intense heat), helps increase the number of live birds during very extreme climate conditions.

The Group, aware of the responsibility they have to minimize the suffering of the animals, constantly makes great effort so that the cattle, birds and pork are treated in a dignified manner during all their life cycle. Moreover, these initiatives are considered priorities, for they reflect on product quality and the Company's business sustainability.

5 items essential to animal welfare:

1- Be free from fear and stress.

2- Be free from hunger and thirst.

3- Be free from any discomfort.

4- Be free from pain and diseases.

5- Be free to express its natural.

Emissions

Pioneering Initiative in Ghg Mapping in The Supply Chain

In 2012, the Marfrig Group became the first animal protein company in the world to start a process for mapping the emissions of greenhouse gases (GHG) in its supply chain. With this measure, the Group takes a step further in the direction of a low carbon economy in all of its industrial, commercial and service activities.

The Company invited a group of suppliers to respond to the questionnaire of the CDP Supply Chain program, a platform for reporting climate data. This initiative is essential to Marfrig's strategy, considering that 95% of greenhouse gas emissions in its production chain come from the supply network and only 5% arise from its direct activities.

Out of the 53 companies invited, 38 accepted Marfrig's invitation and 26 completed and submitted their responses, which accounts for 49% of the responses to the questionnaire (higher than the global average of 39%). The responses given by suppliers are used as the basis for analyzing risks in the supply chain, assessing opportunities to offer products that have lower carbon intensity, and, through partnerships, developing and applying new technologies, as well as creating business opportunities resulting from the search to reduce the ecological footprint of the products.

The Group intends to send the CDP Supply Chain questionnaire to suppliers annually until 2014, when Marfrig shall have sufficient data to follow up on the development of these partners as to their perception of the climate changes and proactivity in programming control measures and reducing the related impacts and risks.

Integrated Pollution Prevention and Control

Moy Park undertook to follow the rules of the Integrated Pollution Prevention and Control, a set of standards and obligations that the companies established in the European Union must meet in order to prevent and reduce air, water and soil pollution.

Ghg Inventory Figures

Published in 2012, Marfrig's third carbon inventory mapped the plants of the Group in different countries. The document was carefully audited by SGS – Société Générale de Surveillance, a global leader in certification processes. The audit comprised documental and on-site analyses required by the GHG Protocol Brazilian Program.

Main Figures

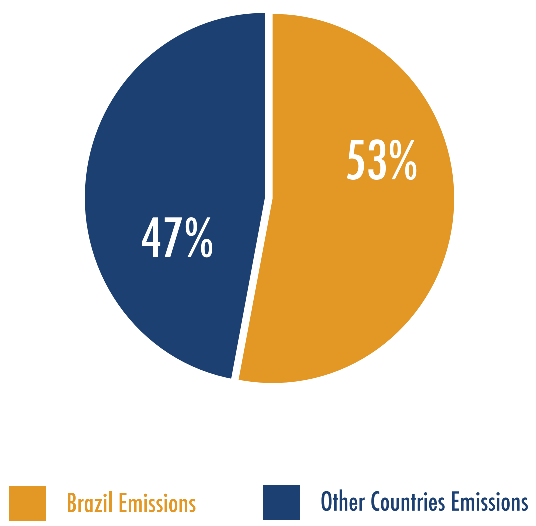
According to the inventory, in 2012, the Marfrig Group's emissions amounted to 752,675 tCO_2e direct emissions and 426,370 tCO_2e indirect emissions of energy, totaling 1,179,045 tCO_2e in scopes 1 and 2. Scope 3 amounted to 26,249,705 tCO_2e.

In addition to these emissions, in 2012, the Group had 698,096 tCO_2e emissions from renewable sources in scopes 1, 2 and 3, and during the year the total of removals was 29,347.3 tCO_2.

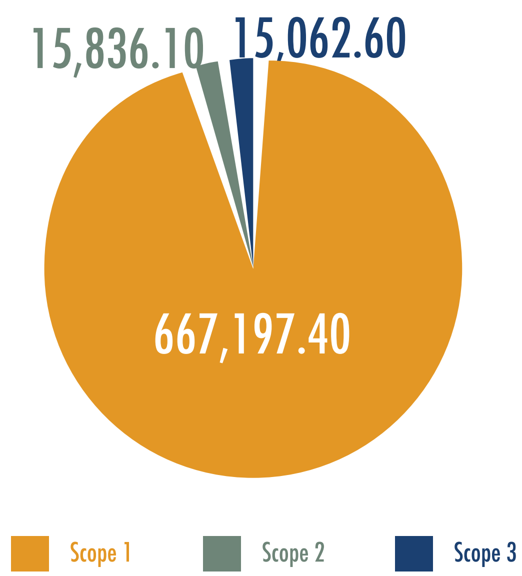
Courtauld Commitment Phase 2

Marfrig takes part in the Courtauld Commitment Phase 2, an international agreement that brings together retail chains and the food industry, aiming at the sustainable use of resources throughout the supply chain and a reduction of carbon emissions.

Emissions Brazil/Other Countries



tCO_2e in Neutral Emissions



The changes in emissions of scopes 1 and 2 of year 2012, taking into consideration the absolute increase in the Group's production volume, show a discrete rise of 0.8% in comparison with 2011, but a 14% drop against 2010.

tCO_2e Emissions

	2010	2011	2012
Scope 1	894,956	798,606	798,606
Scope 2	474,134	370,872	426,370

Measuring the emissions per scope, it is possible to see a reduction in emissions in scope 1 and an increase in scope 2. It is worth mentioning however, that the group's energy consumption decreased when compared to 2011. Therefore, the increase in scope 2 emissions resulted from the change in the national energy matrix and not from an increase in the group's consumption.

Marfrig also measures its emissions of ozone-depleting substances (CFC). In 2012, the Company's emissions added to 9,100.52 kg of CFC substances in its operations.

In the Group's plants, this gas is used in the industrial cooling system of some equipment and in the air conditioning systems.

Climate Change Levy

Marfrig takes part in the Climate Change Levy, a system for offsetting taxes and charges that seeks to encourage companies established in the UK to increase their energy efficiency and reduce carbon emissions.

Boiler Emissions (in mg/Nm³)

	Marfrig Group	Marfrig Beef	Seara Foods
CO_2 – Carbon dioxide	15,457.27	5,351.81	10,105.46
CO – Carbon monoxide	23,538.68	7,978.45	15,560.23
N_2 – Nitrogen	447.53	208.00	239.53
NOx – Nitrogen oxide	6,835.06	2,634.24	4,200.82
PM – Particulate matter	9,051.96	2,141.93	6,910.04
SOx – Sulfur oxide	2,165.08	717.70	1,447.38

Initiatives to Reduce GHG Emissions Around the World

The Marfrig Group is always looking for solutions to decrease its greenhouse gases emissions and is optimistic about the challenge of rethinking its everyday activities, so as to be a more efficient Company. By taking up such challenge, Keystone invested in energy efficiency to decrease its GHG emissions. In its US plants, new systems to heat the industrial boilers (with much less energy waste) and new replacement engines were installed, besides redefining the employees' shifts and installing light sensors in the offices.

At the European plants, fried oil that can no longer be used in the production of food started to be collected by Convert2Green to be transformed into biodiesel and used in vehicles belonging to Convert2Green itself.

The Asian plants opted for using technology to reduce the use of diesel, introducing new boilers and a heat pump system that reduces CO2, SO2 and NO2 emissions by using electricity. In Thailand, especially, an individual measurement system was installed to detect the energy levels needed by each equipment, allowing to monitor and manage the activities that use electric power, and to understand how energy has been used. Furthermore, the continent plants replaced the office lighting and invested in a heat recovering system at the plants.

Moy Park also invested in energy efficiency to reduce its emissions. Among the initiatives adopted at the different plants of the company, the following are included: the conversion of the oxidant thermal boilers into natural gas from lard, improvements to the hot water and vapor piping and to the energy efficiency projects that reduced the demand for electric energy through the monitoring of energy consumption and the influence on the change of behavior, both carried out by the engineering team, with the preparation of daily reports on the energy efficiency of the operations.

Waste

Waste and Recycling

In 2012, the Marfrig Group generated 747,637.15 tons of waste, destined to composting, incineration, recycling and landfill. The sale of waste generated revenue of R$4,746,933.00 to the Company.

Hazardous waste (t)

	2011	2012
Marfrig Beef	3,492.05	6,043.01
Seara Foods	528.51	873.46
Marfrig Group	**4,020.56**	**6,916.46**

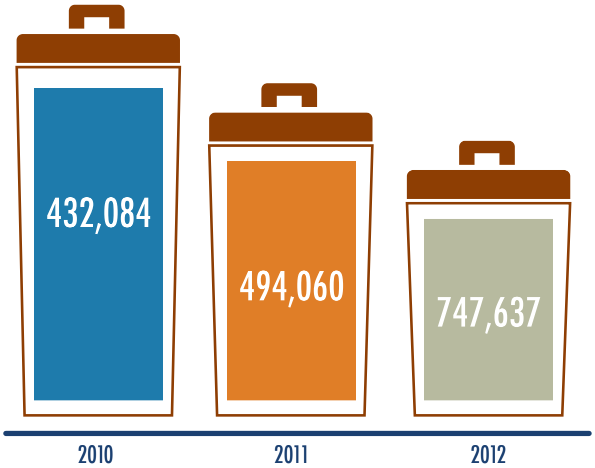
Composting

For believing that the best destination for organic material produced and not used is to return it to the environment, Marfrig minimizes the environmental impact of its activities by returning 89% of the organic material it produces to the environment, through composting. Some advantages of this process are plant root development, increased water infiltration capacity, erosion reduction, temperature and soil acidity level stabilization, among others.

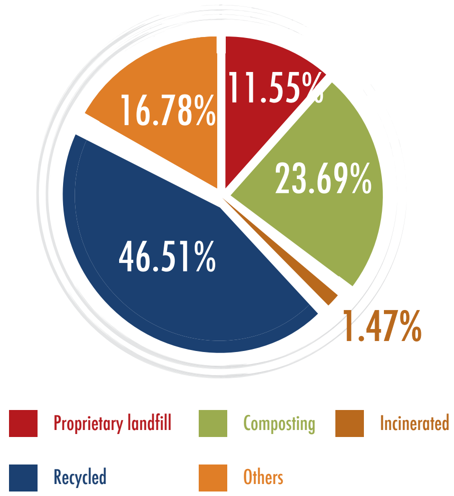
Packaging, batteries, glass, plastic and paper, among other materials arising from industrial consumption, are properly collected at the Company's facilities and forwarded to the recycling industry. Coupled with these initiatives, Marfrig is a signatory of the reverse logistics sector plans.

In addition, the Company participates in the New Brazilian Policy for Solid Waste, aligning its procedures and internal goals to meet the established principles.

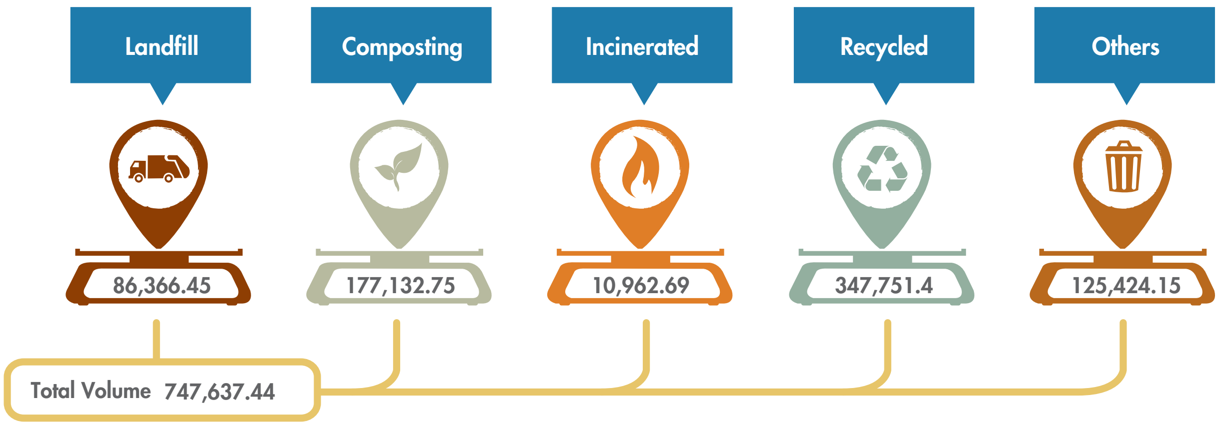
Total waste volume (t)



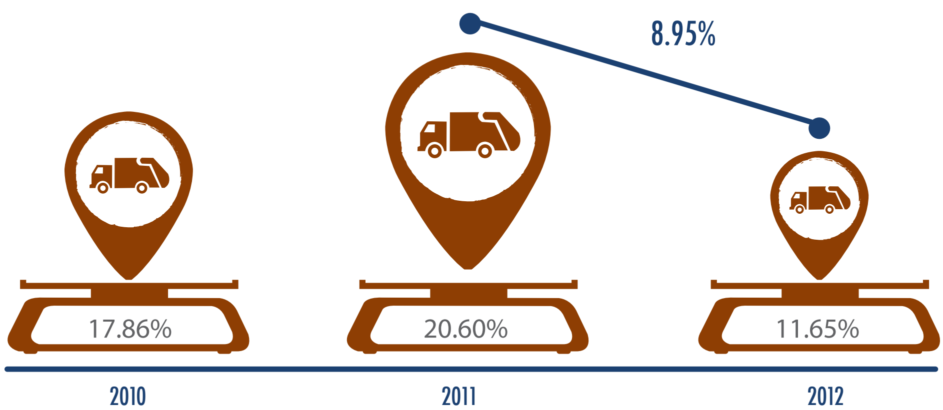
Waste Destination - 2012

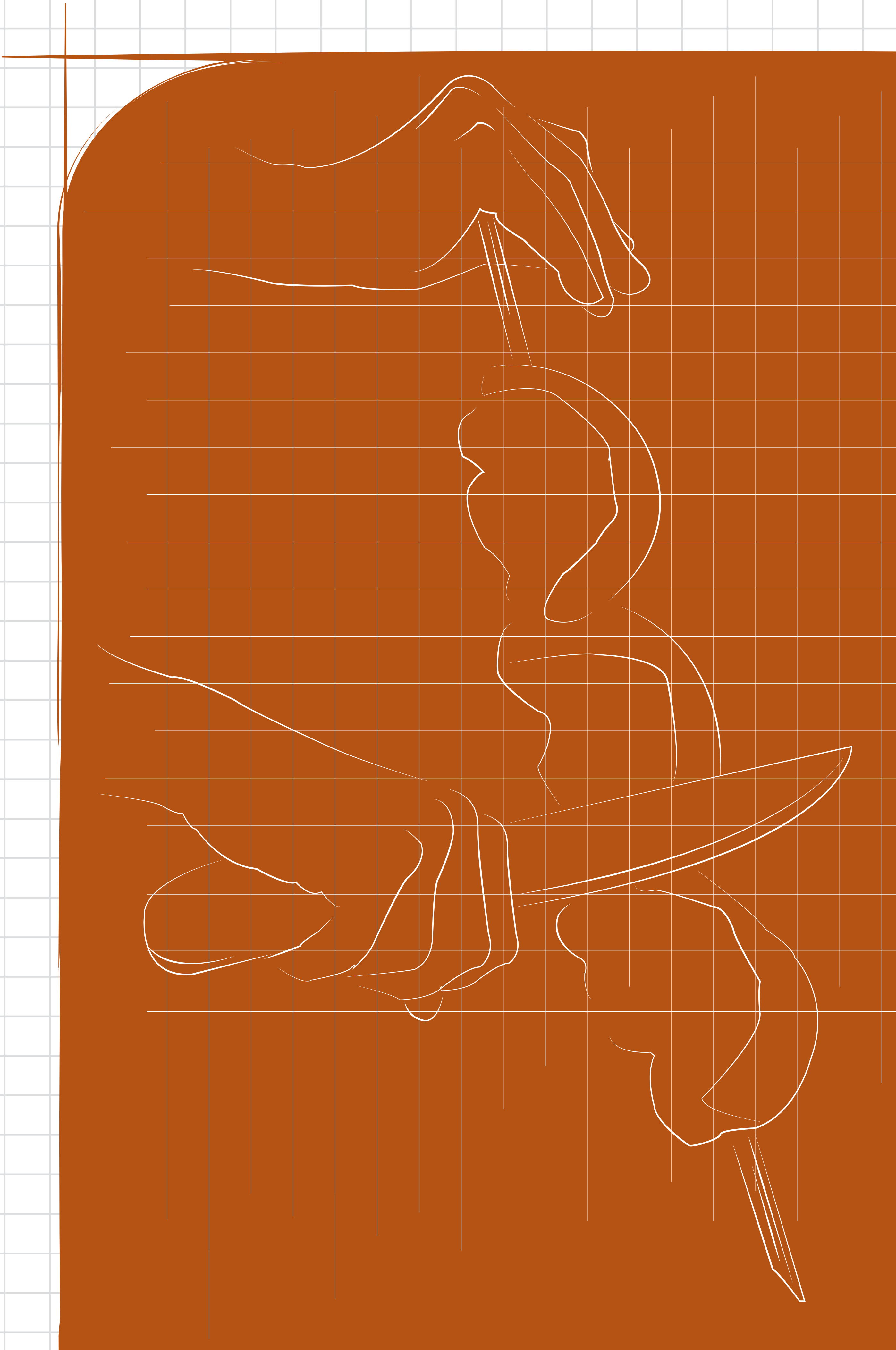


Waste by type and disposal method in 2012 (t)



Evolution of Waste Deposited in Landfills





ECONOMIC PERFORMANCE

Macroeconomic and Industry Scenario

The year 2012 was a very challenging one for the global meat industry. Despite the growing demand for food driven by the continuous growth in household income in most developing countries, the operating performance of companies in the industry was adversely affected by the sharp hikes in corn and soy meal prices, which are key production inputs.

According to IMF estimates (January 2013), the global economy grew by 3.2% in 2012, compared to 3.9% in 2011. The factors that led to this slowdown included (i) the reduction in private investment due to the uncertainties regarding the recovery of the global economy, (ii) the fiscal adjustment measures adopted by developed countries, and (iii) the slowdown in global trade.

The Management of the Marfrig Group believes that 2013 will be another challenging year, although more favorable for the global meat industry than 2012 was, due to the gradual recovery in world economic growth, with a positive impact on demand for meat and processed products, more stable input prices, and an exchange rate that makes Brazilian products more competitive in export markets.

BRAZIL

According to Central Bank of Brazil, the Brazilian economy grew 1.0% in 2012, well below the Ministry of Finance's initial forecast of 4.5% and also below the growth in 2011 of 2.7%.

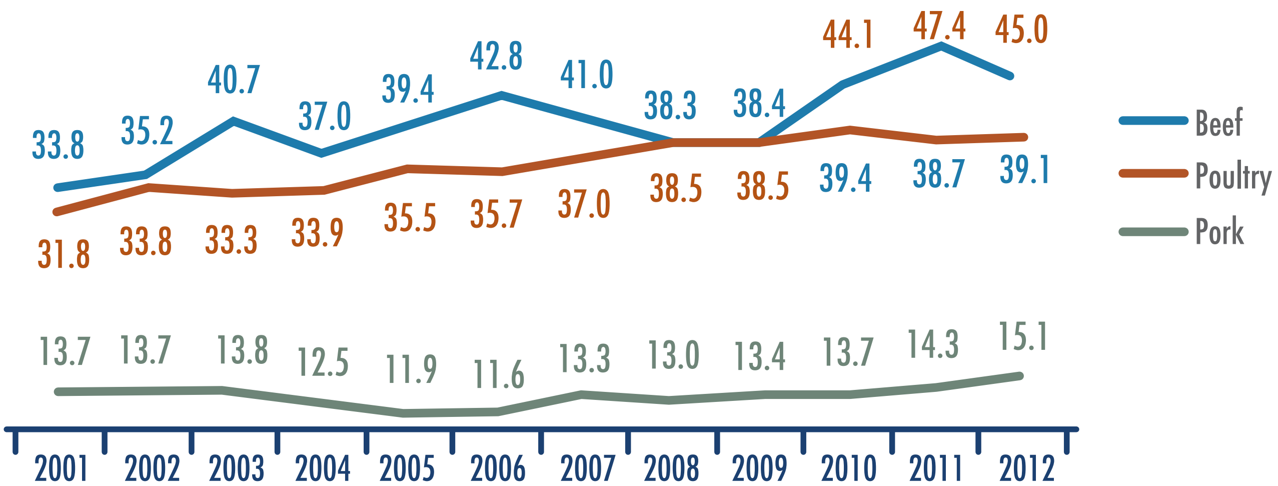
Average monthly income grew by 4.1% in 2012 and the Brazilian Institute of Geography and Statistics (IBGE) estimates that the wage bill grew by 6.2% in the same year, which has helped maintain consumer confidence high, with a positive impact on retail sales. According to the Brazilian Supermarkets Association (ABRAS), real sales in the supermarket sector increased 5.3% in 2012 compared to 2011.

Proteins: Per capita poultry consumption was 45.0 kilograms in 2012, down 5.1% from 2011, mainly due to the 17% increase in domestic grain prices, which led to an 8% average increase in the retail price of fresh poultry. Despite the higher prices, we expect poultry consumption to recover in Brazil in 2013, given the continuous growth in household income and the growing demand for healthier proteins.

Per capita beef consumption was 39.1 kilograms in 2012, up 1.0% from 2011, driven by continued income growth.

Per capita pork consumption in 2012 was 15.1 kilograms, increasing 5.6% from 2011, driven by the continued growth in income levels, which also helped drive consumption of higher added value processed products.

Brazilian per capita beef consumption
(kg/inhab./year)



Processed / prepared foods: the frozen products segment registered slower growth than in previous years, especially given the weaker pace of economic growth. According to Nielsen data, sales in the segment expanded by only 2% in the first nine months of 2012 compared to the prior-year period, down from the 15% growth registered in 2011.

However, the growing demand for products that make meals more convenient and practical, such as ready-to-eat meals, pizzas, sandwiches, frozen pasta, among others, sustained by the continued growth of the Brazilian economy and the increase in the purchasing power of the population, should drive sales in this category in the coming years.

Food Service: according to the Brazilian Association of Food Companies (ABIA), food industry sales to the food service sector totaled approximately R$100 billion in 2012 in Brazil, which would represent growth of 14% (against 17% in 2011) and reinforces the change in the behavior patterns of Brazilian consumers, who have increasingly sought convenience by eating out.

We expect this accelerated growth to persist for a few years, given the change in habits mentioned above and the low penetration of food service sales in Brazil's food industry. According to ABIA, over 30% of food industry sales in Brazil are directed to the food service segment (bars, restaurants, bakeries, etc.), while in Europe and the United States, the food service segment accounts for 50% to 60% of food consumption.

Poultry exports: the poultry industry in 2012 experienced a challenging environment due to the shortfalls in corn harvests in the U.S.A. The spike in grain prices and the resulting increase in production costs required a substantial pass-through of price increases during the second half of 2012, which took place gradually. This event was partially offset by the 14.3% depreciation in the Brazilian real against the U.S. dollar. Although the weaker Brazilian real did not fully offset the impact of grain prices in 2012, it structurally changed the competitiveness of Brazilian products, which could potentially translate into market share gains in the future.

Global poultry consumption increased 1.9% (USDA) in comparison to 2011, due to the continued growth in income levels and demand from developing countries, especially in Asia and the Middle East.

In 2012, Brazilian exporters' market share of world poultry trade contracted by 0.9 p.p. to 35.3%, from 36.2% in 2011, due to the sharp contraction in imports by the Far East Asian countries, a region where Brazil enjoys significant competitive advantages and has a high market share. As a result, Brazil's poultry exports totaled 3.9 million tons in 2012 (Secex), which corresponds to 25% of the country's production.

Beef exports: in 2012, Brazil's beef industry enjoyed a favorable environment marked by a higher supply of cattle compared to 2011, a strong demand in the domestic market and the recovery in demand in export markets (Chile, gradual return of Middle East and Europe and progressive growth in exports to Asia as well) driven by the depreciation in the Brazilian real against the U.S. dollar. Note that the price of beef became more competitive in relation to other proteins that were subjected to hikes in grain prices, which helped to sustain the high demand. In this scenario, cattle slaughter rates in Brazil grew by 8.4% in 2012, while the average cattle arroba (unit of weight corresponding to 15 kilograms) price fell by 4% from 2011, precisely due to the higher supply of cattle available for slaughter.

We expect the supply of cattle in 2013 to be better than in 2012, which should favor increases in installed capacity utilization rates at the production units. This favorable cycle for the supply of slaughter animals began in mid-2011 and was the result of retaining animals during the period from 2007 to 2009, and, as it was the case in previous cycles, we expect the ample supply of cattle to last for some years.

Global beef consumption increased slightly by 0.2% in 2012, according to data from the USDA. Although there is a growing trend in developed countries to substitute beef by white meat, global consumption is being driven by growing demand in developing countries. According to preliminary estimates from the USDA, in 2012, Brazilian exporters increased their market share by 0.2 p.p., accounting for 17% of world trade. In Brazil, cattle is raised extensively and suffers little impact from higher grain costs, while the United States, Europe and other producing regions suffered heavy impacts on their production costs from the hikes in grain prices. Thus, Brazilian beef exports totaled 1.2 million tons in 2012 (Secex), growing 13% from the prior year.

[1] United States Department of Agriculture.

Pork exports: pork is the most produced and consumed protein in the world, with China leading the ranking of producers and consumers, followed by the European Union and the United States. Brazil ranks fourth among large global pork producers and exporters. Annual per capita pork consumption in Brazil is still low, at around 15 kilograms, but has increased in recent years, driven by strong domestic demand spurred by higher income levels.

In 2012, the Japanese government acknowledged the state of Santa Catarina as being free from the foot-and-mouth disease through vaccination, which marked the first step towards lifting the ban on Brazil's pork exports to that country. Japan is the world's largest pork importer and the opening up of this market represents major export potential for Brazilian producers.

ARGENTINA AND URUGUAY:

Beef production in Argentina increased in 2012, due to the rebuilding of herds since 2010 after consecutive years of contraction. In 2013, the number of animals available for slaughter is expected to remain high, thus increasing meat production. However, it is important to note that, despite the increased supply, Argentine exports should remain limited due to the growth in domestic demand after years of decline in per capita consumption and by the government's restrictions on exports.

Uruguay has the world's highest annual per capita beef consumption, at 60.5 kilograms, according to the National Meat Institute (Inac). In addition to the strong domestic consumption, the country is the world's seventh largest beef exporter, shipping its high quality products to over 40 markets. For 2013, exports should exceed 375,000 tons, the highest volume since 2009. Beef production in 2013 is also estimated to exceed that of previous years, driven by the increased supply of animals for slaughter.

EUROPE:

The increased production costs, particularly of grains, reduction in subsidies from the European Agricultural Policy and droughts faced by some countries should reduce meat production in the European Union in 2013 (estimates – chicken: -0.4%; beef: -5%; and pork: -0.5%).

On the other hand, the poultry industry in the United Kingdom has managed to overcome the difficulties caused by the crisis in the European Union and has been facing the higher grain costs with greater ease than other important producing countries have. While poultry production in the European Union is expected to contract in 2013, production in the United Kingdom, which accounts for 14.2% of the region's production, should grow 2.3%.

Poultry consumption in the United Kingdom has grown, driven by the increased concern for healthier food consumption, since it has lower fat content compared to red meat. Popularity of convenient and ready-to-eat meals is also rising, jointly accounting for 30% of all poultry products sold in the United Kingdom, according to estimates by the Department for Environment, Food & Rural Affairs – UK (Defra).

The ability of the poultry industry in offering healthy and convenient meals and maintaining a disciplined offering in order to maintain adequate margins in view of higher grain prices are key factors in the industry's growth in 2013.

UNITED STATES:

The United States is one of Marfrig's main markets, where it operates in the food service business through its subsidiary Keystone Foods.

The U.S. economy continues to show signs of gradual recovery. According to IMF estimates (World Economic Outlook, January 2013), US GDP should grow 2.3% in 2012.

According to the U.S. National Restaurant Association, sales in the food service sector should reach US$631.8 billion in 2012, up 3.5% from 2011, for the third consecutive annual increase since the 2008-09 crisis that hit the United States. For 2013, estimates indicate sales growth of 4.5%, reaching US$660.5 billion.

Figures show that, despite the negative impact of the current economic environment on consumer confidence in the United States, the food service industry is clearly recovering after the severe crisis in 2008-09 that led sales to plunge.

ÁSIA:

The economic crisis affecting certain developed countries caused a slowdown in the Chinese economy. According to the IMF, China's GDP should grow 7.8% in 2012, compared to 9.3% in 2011. Strong GDP growth combined with urbanization and the growing consumer middle class have promoted changes in the food habits of the Chinese, with positive impacts on sales in the food service industry.

The country has seen a rapid increase in the number of stores and the expansion of chains to cities in the countryside. Total and per-store revenue of large international chains such as Yum Brands and McDonalds have been increasing sharply. These chains have been investing in diversifying their menus and preparing products adapted for the various meals of the day in order to increase their supply of products, while offering greater convenience and practical solutions to this new consumer class.

There is still immense potential for the expansion of these chains in China. While in the United States, Yum has 58 restaurants per million people, in China the figure is less than two. Keystone has been investing in the country in partnership with local players (COFCO and Chinwhiz) in order to monitor the growth of this market and meet the demands of these important customers.

Global Scenario for Grains:

The year 2012 was marked by adverse weather conditions in the world's main soybean and corn production regions, which led to declines in yields and consequent supply of these products, causing a record spike in prices in international markets.

Soy:

Soybean production in Brazil and Argentina in 2012 was harshly affected by the drought that hit key production regions since December 2011 (when crops are in full development phase) and decreased by 11.9% and 18.2%, respectively.

In the United States, the worst drought in the past 30 years that hit the country in 2012 caused major losses in productivity and a 2.5% drop in production, following the already lower production of the previous year, leading to sharp increase in prices at the Chicago Board of Trade (CBOT).

Average quote for soy meal on the Chicago Board of Trade in 2012 was 24.7% higher than in 2011. In Brazil, the scenario was also marked by price hikes, with an average increase of 60.5%. In the Brazilian market, prices followed Chicago and surpassed all-time highs, sustained by low inventory levels, depreciation of the Brazilian real and strong global demand.

Oilseed prices began to fall only after September 2012, thanks to the seasonal effects of the U.S. harvest.

With the expectation of a production recovery in Brazil (+26%) and Argentina (+28%) in 2013, oilseed prices should continue to fall from their levels in 2012, though not returning to historical levels, given the low level of stocks in international markets and the growing demand, especially in China.

Corn:

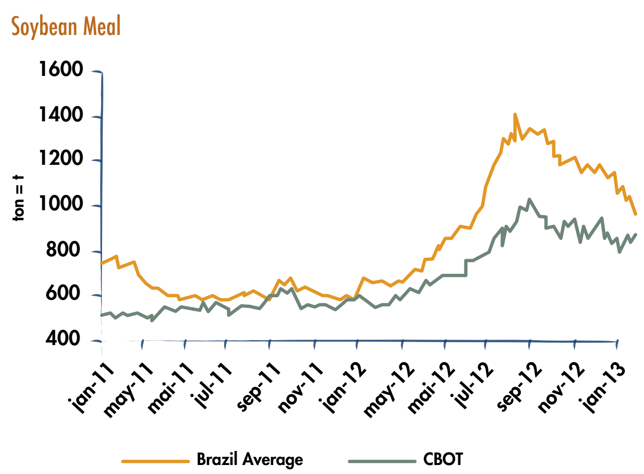
Driven by the shortfall in U.S. production in 2012 (-12.8%) and the higher demand for use in animal feed and ethanol production, corn prices in Chicago (CBOT) rose to record highs.

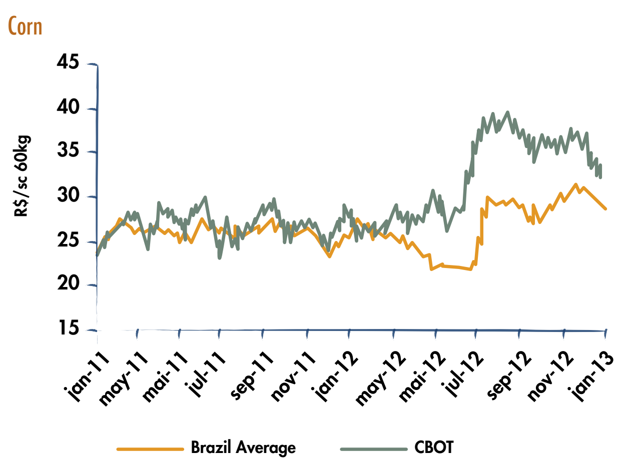
In Brazil, despite the record harvest of 72.9 million tons in 2012, the higher international demand for Brazilian corn led to record-high prices in all markets.

The average corn prices in Brazil (R$26.42/60 kg bag) and on the Chicago Board of Trade (R$32.14/60 kg bag) in 2012 were 2.1% higher than in 2011 (variation in local currency), but peaked at levels above R$35/bag in Brazil and R$39/bag in the United States.

For 2013, Brazilian corn production, considering the winter and summer crops, is expected to reach 76 million tons, 4.2% higher than in the previous year, which would represent a new historic record. The ample supply of corn and the logistics difficulties in transporting the production for export should lead to lower prices in the domestic market. Yet, low world stocks and strong global demand should prevent a sharper drop in grain prices in the Brazilian market. We expect corn prices to remain high in 2013, though below the peaks seen in 2012.

Corn and soy meal quotes on the CME/CBOT and the average quote in regions surveyed by CEPEA.





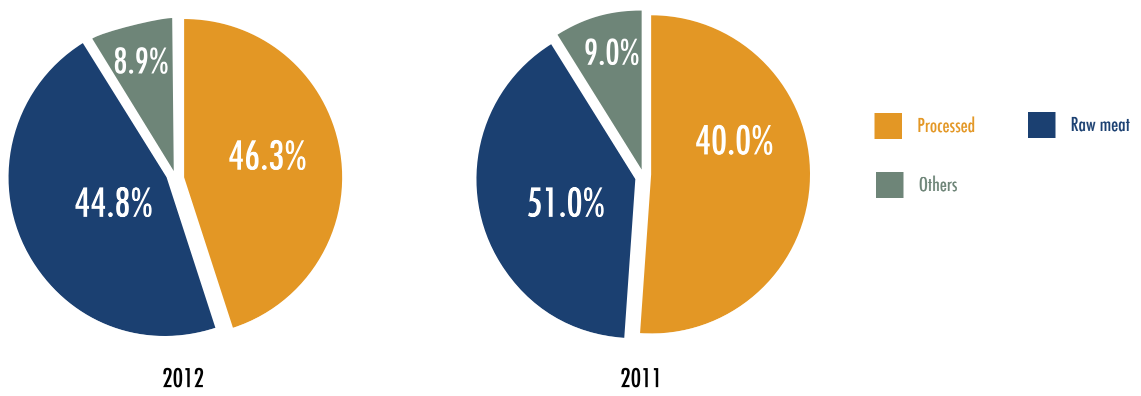
Source: Bloomberg.

1. Consolidated Economic and Financial Performance

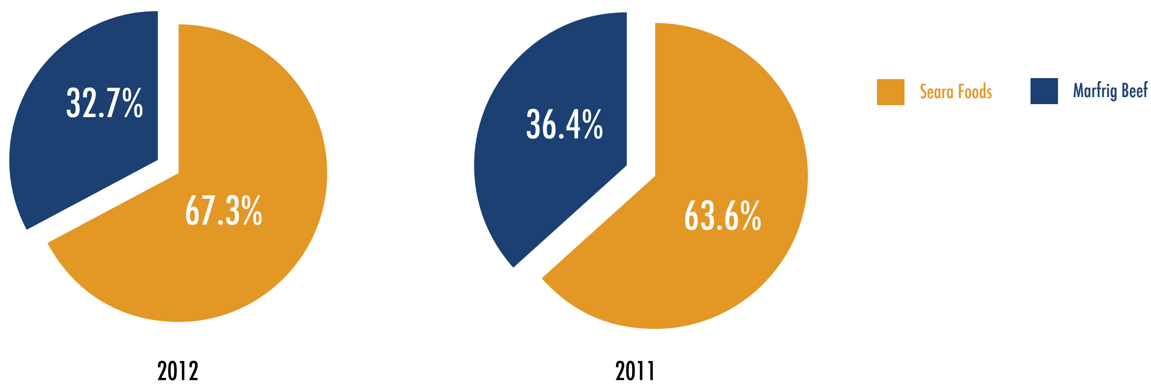
NET REVENUE

Net operating revenue increased 12.9% in 2012 in comparison to 2011, from R$21,014.1 million to R$23,726.4 million. The Corporation's management highlights that the increase was driven mainly by: (i) a 14,8% increase in the average sales price, as a result of the improvement in the product mix at Seara Foods (with a bigger share of higher-value products, from 54.7% in 2011 to 58.6% in 2012); (ii) the incorporation of the new assets, which had a partial impact on the third and fourth quarters, as they are still in the ramp-up period; (iii) the new food service customers with increase in volumes and average prices in Keystone Foods; (iv) the larger volume for retail chains in Europe such as Moy Park, which also benefitted from the difficulties of other companies of the sector in that region; (v) the increase in Marfrig Beef's average operating prices; and (vi) the 14.3% devaluation of the Brazilian real against the dollar in the year.

Revenue by product:



Revenue by segment:

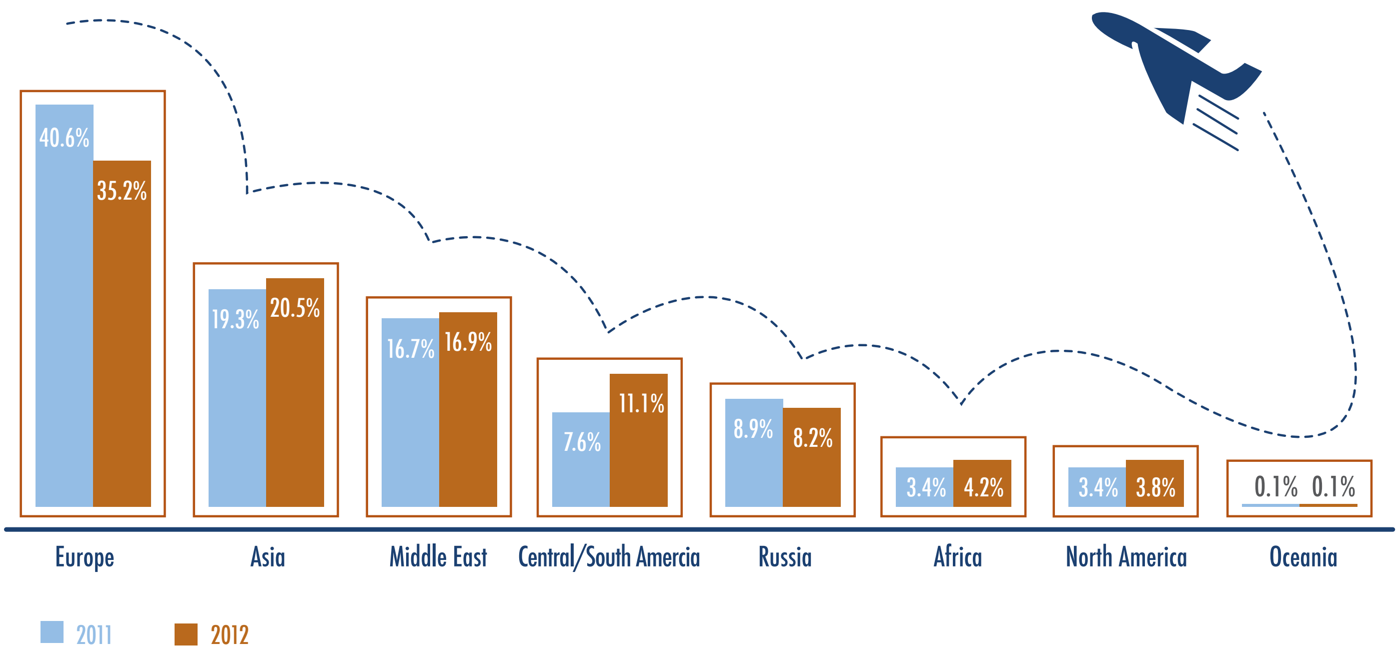


EXPORTS

In 2012, the Company's consolidated export sales had a 2.3% reduction in Brazilian real, representing 33.5% of our total consolidated sales in 2012, compared to 37.0% in 2011. In 2012, the appreciation of the US dollar against the Brazilian real and the gradual recovery in beef sales to major consumer markets led to the increase of the beef division's exports. However, the negative scenario faced by major poultry consumer markets and the stronger demand in the Brazilian domestic market made the Company opt for redirecting its sales to the domestic market. Our products were sold in more than 150 countries in 2012, in the five continents. This is the outcome of the strategy adopted by the Company, which chose to mitigate risks, diversifying its operation, thereby not depending on only a few importing countries.

A breakdown is presented below of the consolidated export revenue by main destinations.

Exports Breakdown - Consolidated



In 2012, Europe remained the main destination for the Group's exports, but with a smaller share when compared to 2011. Asia and Central/South America increased their share led by Marfrig Beef's exports, while the Middle East's share grew due to Seara Foods[2] exports.

[2] The breakdown of Marfrig Beef's and Seara Foods' exports will be presented later in this report under chapter "Performance by Segment".

COST OF GOODS SOLD (COGS)

Cost of goods sold increased by 11.8%, from R$18.03 billion in 2011 to R$20.17 billion in 2012, caused by the organic growth of the Group's operations, the strong increase in grain prices, which reached historic peaks, and the ongoing inflationary pressure on Brazilian operation costs. The 22.6% expansion in the cost of raw materials (grains, animals and other inputs used in food processing) was the main cause for the 11.8% increase in COGS in 2012. The raw materials item accounted for 71.6% of this cost, compared to 65.3% in the previous year.

The beef operation accounted for 30.1% of total cost of goods sold, while Seara Foods accounted for 69.9% of such cost. For the Beef operation, cattle-related costs represented approximately 84% of COGS, while for the Seara Foods' operation, grains and soy meal accounted for approximately 65%.

The following table shows the breakdown of the main components of consolidated cost of goods sold.

COGS (R$million)	2012	Part. (%)	2011	Part. (%)	Var. (%)
Raw materials	(14,440.7)	71.6%	(11,783.3)	65.3%	22.6%
Packaging	(695.8)	3.5%	(721.2)	4.0%	-3.5%
Electricity	(136.9)	0.7%	(142.8)	0.8%	-4.1%
Direct expenses + Direct labor	(4,260.4)	21.1%	(4,536.6)	25.2%	-6.1%
Indirect expenses + Indirect outsourcing	(633.3)	3.1%	(848.5)	4.7%	-25.4%
Total Consolidated COGS	(20,167.2)	100.0%	(18,032.3)	100.0%	11.8%
COGS Seara Foods	(14,094.0)	69.9%	(11,718.4)	65.0%	16.9%
COGS Marfrig Beef	(6,073.2)	30.1%	(6,313.9)	35.0%	-4.0%

GROSS INCOME AND GROSS MARGIN

In 2012, Gross Income reached R$3.56 billion, representing an increase of 19.4% from R$2.98 billion recorded in 2011. Gross Margin was 15.0%, 80 bps above the margin of 14.2% recorded in 2011.

Despite the high grain cost increase, the Company's improvement in gross income was a result of the implementation over the year of a series of strategic initiatives to help reach more sustainable and less volatile margin levels, such as: (i) the continuous expansion of the share of branded processed/industrialized products in the mix of products; (ii) better pricing of processed products of the Seara brand, which had an average price increase of 19.6% in the year; (iii) Marfrig Beef's good operational performance, which maximized its operating profits by better directing the sales channels and optimizing the industrial park, adjusting its slaughter capacity and utilization to the Brazilian livestock farming cycle; (iv) development of more profitable (small- and mid-sized retail) sales channels in Brazil, thanks to the swift expansion of the customer base; and (v) optimization of the industrial park, which diluted fixed costs.

Income Statement (R$million)	2012	2011	Var. (%)
Gross income	3,559.1	2,981.8	19.4%
Gross margin (%)	*15.0%*	*14.2%*	*80 bp*

SG&A EXPENSES (SELLING, GENERAL AND ADMINISTRATIVE EXPENSES)

In 2012, operating expenses, (excluding other operating income and expenses) totaled R$2.52 billion, an increase of 16% year on year. These expenses, as a percentage of the net revenue, corresponded to 10.7%, an increase of 40 bps, due to the logistics challenge faced by Seara Brasil in the 4th quarter, in the absorption and integration of new units and distribution center derived from the exchange of assets, as well as to the necessity for hiring, training and equipping the sales workforce needed to serve new customers. These impacts are not yet fully diluted by revenue, since the units are still in the production ramp-up period and have been operating at below ideal levels.

Selling expenses account for 7.3% of the net operating revenue, against 7.1% in 2011, mainly in personnel, logistics, commissions and bonuses accounts, as a result of investments for hiring, training and structuring the new workforce, needed to support the incorporation of new units. It is worth noting that 650 sales professionals were hired, equipped and trained during the 2nd quarter of 2012, in order to market the new products and brands; however, sales only started after CADE's authorization in the 3rd quarter of 2012.

Income Statement (R$million)	2012	2011	Var. (%)
SG&A expenses	**(2,520.7)**	**(2,169.9)**	**16.2%**
% of Net Revenue	*-10.6%*	*-10.3%*	*-30 bp*
Selling expenses	(1,736.9)	(1,485.4)	16.9%
% of Net Revenue	*-7.3%*	*-7.1%*	*-30 bp*
General and administrative expenses	(783.7)	(684.5)	14.5%
% of Net Revenue	*-3.3%*	*-3.3%*	*n/a*

EBITDA AND EBITDA MARGIN

In 2012, Marfrig's consolidated EBITDA (earnings before interest, tax, depreciation and amortization) came to R$2.13 billion, up 20.3% from R$1.77 billion recorded in 2011. EBITDA margin was 9.0%, compared to 8.4% in 2011.

EBITDA RECONCILIATION (R$million)	2012
Interest net income - Continued operations	**(480.8)**
Interest net income - Discontinued operations	**256.9**
Controlling Shareholder interest - net income	**(223.9)**
(-) Provision for income tax and social contribution	*430.2*
(+) Net financial charges	1,543.0
(+) Exchange rate gain (loss), net	538.4
(+) Depreciation/Amortization	805.5
(-) Noncontrolling interest	8.7
(-) Noncontrolling Equity	0.7
(-) Effect from Discontinued Operations	**89.4**
EBITDA	**2,134.0**
EBITDA Margin	***9.0%***

NET FINANCIAL RESULT

The financial result in the year, excluding the exchange rate effects, was negative at R$1.54 billion, in line with the amount recorded in 2011. The exchange variation, without cash effect, amounted to a loss of R$538.4 million in the year, against a loss of R$780.6 million in 2011, explained by the average depreciation of 14.3% of the Brazilian real against the US dollar.

Despite the increase in the gross debt over the year, interest expenses totaled R$1.38 billion, remaining in line with the R$1.39 billion recorded in 2011, explained by the drop in the basic interest rate (SELIC rate) up to 4 percentage points between the periods and the Company's efforts to adjust the debt cost in pursuit of better rates.

NET FINANCIAL RESULT (R$million)	2012	2011	Var. (%)
Financial Income	**316.6**	**397.7**	**-20.4%**
Financial income from derivatives	143.3	122.2	17.3%
Interest received, income from financial investments	152.7	248.7	-38.6%
Discounts and other	20.6	26.8	-22.9%
Exchange Gain	**525.6**	**564.8**	**-7.0%**
Total Financial Income	**842.1**	**962.5**	**-12.5%**
Financial Expenses	**(1,859.6)**	**(1,917.9)**	**-3.0%**
Provisioned Interest on loans	(1,004.0)	(965.5)	4.0%
Interest on debentures	(329.9)	(401.7)	-17.9%
Interest on leasing	(21.6)	(26.5)	-18.3%
Derivatives	(182.8)	(379.6)	-51.8%
Bank fees, Commissions and charges	(250.7)	(107.2)	133.9%
Other	(70.5)	(37.3)	88.8%
Exchange Loss	**(1,063.9)**	**(1,345.3)**	**-20.9%**
Total Financial Expenses	**(2,923.5)**	**(3,263.2)**	**-10.4%**
Net Financial Result	**(2,081.4)**	**(2,300.7)**	**-9.5%**

2. Other Financial Highlights

2.1. Capex

CAPEX (R$million)	2012	2011	Var. (%)
Investments in fixed assets	**1,022.2**	**912.6**	**12.0%**
Fixed assets	654.9	632.4	3.6%
Breeding stock	367.3	280.3	31.0%
Investments in intangible assets	**31.2**	**33.9**	**-8.0%**
Total investments	**1,053.4**	**946.6**	**11.3%**

Investments in fixed assets totaled R$1,022.2 million, up 12.0% if compared to 2011.

2.2. Operating Cash Flow

The generation of operating cash flow was pressured mainly by the working capital associated with the integration of Seara's new units, as explained above.

CASH FLOW (R$million)	2012
Net income (Loss)	**(224)**
(+) Items not affecting cash	1,801
(+) Working capital variation	**(477)**
Trade accounts receivable	(490)
Inventories	(394)
Trade accounts payable	408
(+) Other Variations in Equity	**(990)**
Other	(387)
TCD Assets (working capital)	(350)
Taxes	(243)
1. Commercial Flow	**122**
2. Investment Flow	**(1,053)**
3. Operating Cash Flow	**(943)**
Financial Income (expenses)	(1,261)
4. Free Cash Flow	**(2,204)**
Capitalization – Share Issue	1,017
Funding/Settlement of Loans	239
Discontinued Operations	495
Foreign Exchange Variation on Cash	154
Cash flow for the period	**(299)**

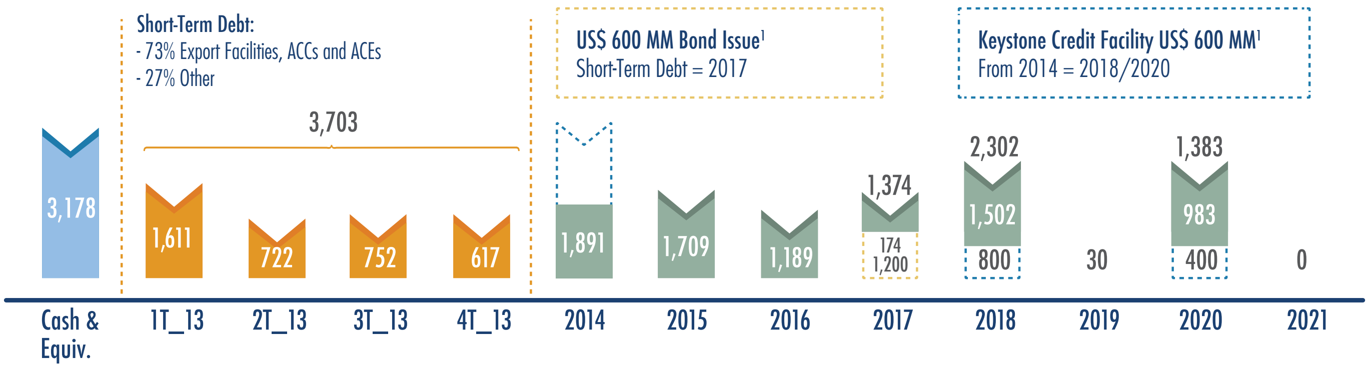
2.3. Capital Structure

GROSS DEBT

The Company's consolidated gross debt at the end of 2012 was R$12.38 billion, up R$1.00 billion against the position in December 2011. Considering all debts, 29.9% mature in the short term, while 70.1% mature in the long term. The increased debt resulted mainly from the greater need for working capital, due to the incorporation of the Seara's new units obtained by the exchange of assets and to higher grain costs.

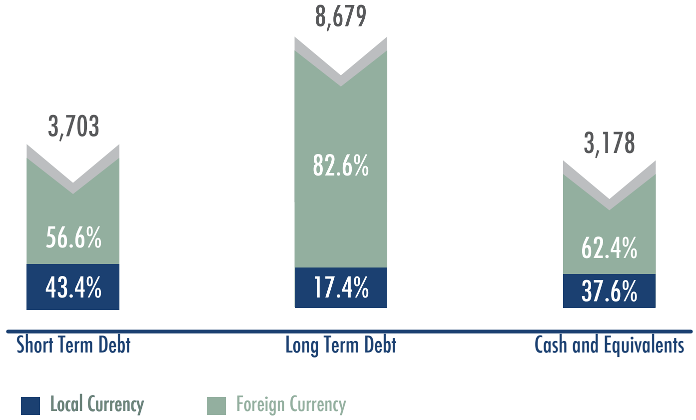
Of the total debt, 25.1% is denominated in Brazilian reais and 74.9% in other currencies, being virtually in line with the 72.0% of the Group's revenues generated in foreign currencies. The weighted average cost of our consolidated bank debt at the end of the 4th quarter of 2012 decreased to 7.62% p.a., which is explained by the lower transaction financing costs carried out in the period and the lower basic interest rate (SELIC rate) in Brazil.

Proforma Debt Profile (R$ million)



[1] The above chart includes the US$600 million bond issue in Jn/13 dua ein Jul/2017, and the renewal of the Keystone Credit Facility with the maturity changing from 2014 to 2018 and 2020.

Debt and Availability
by Currency (R$ million)



NET DEBT AND LEVERAGE

Net debt at the end of 2012 amounted to R$9.20 billion. Financial resources were strengthened through the raising of R$1.05 billion by means of IPO held in December. At the end of the year, the Company had R$3.18 billion in cash and investments.

Moving forward with the plan to improve its capital structure, on January 16, 2013, the Company concluded the issue of US$600 million in Senior Notes maturing in July 2017 (see note on subsequent events).

The leverage ratio (net debt / EBITDA) was 4.31x, against 4.45x at the end of 2011.

DEBT BREAKDOWN (R$million)	31/12/2012			31/12/2011		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Local currency (BRL)	1,607.6	1,506.2	3,113.8	956.5	1,809.6	2,766.0
Foreign currency	2,095.4	7,172.7	9,268.1	1,500.9	7,110.4	8,611.3
Consolidated Debt	**3,703.0**	**8,678.9**	**12,381.9**	**2,457.3**	**8,920.0**	**11,377.3**
Cash and cash equivalents	3,178.2		3,178.2	3,477.0		3,477.0
Net Debt			**9,203.7**			**7,900.3**
LTM EBITDA			2,134.0			1,773.8
Net Debt/LTM EBITDA			**4.31**			**4.45**

GLOBAL RISK RATING

Agency	Rating	Outlook	Last Revision
Standard & Poor's	B+	Negative	January/2013
Fitch Ratings	B+	Negative	January/2013
Moody's	B2	Stable	August/2012

NET INCOME (LOSS) IN THE PERIOD

In 2012, net loss totaled R$223.9 million, 70% lower than that recorded in 2011.

3. Performance by Segment

3.1. Seara Foods

CONTEXT

The year 2012 was for Seara Brasil, due to the extremely adverse international economic scenario, where the economic slowdown in major international markets, strong currency volatility and unprecedented inflationary pressures on production costs negatively affected the result of the division.

To overcome these obstacles, the Company's management has been working hard to transform Seara Brasil into the second largest Brazilian company in the processed food sector, supported by an efficient distribution platform in the domestic and international markets, seeking higher profitability levels and consistent cash generation.

To this end, the successful integration of the industrial assets, brands and distribution centers that resulted from the exchange of assets is gradually strengthening (being still in the ramp-up period) the presence of the Seara brand in Brazil and abroad. With consolidation of the new assets, the sales of branded value-added products in the Brazilian internal market accounted for approximately 65% of Seara Brasil's sales in 2012.

In export markets, the international scenario remained very challenging. The expressive spike in grain prices required a natural price passthrough, which was implemented partially and at a slow pace in certain regions that have been showing an emerging economic recovery, like, for example, the Far East and the European Union.

In Europe, Moy Park continues to demonstrate the resilience of the chicken protein consumption, by recording positive growth in the year, despite the challenging economic environment. The Company capitalized on its leading position in the United Kingdom retail market, by increasing its sales of fresh chicken in the domestic market, taking the opportunity to expand its portfolio by launching branded and high value products and benefiting from the financial difficulties faced by another company in the sector, which helped Moy Park to obtain new contracts.

At Keystone Foods, the good performance was pushed mainly by the higher sales of processed foods to the Asian food service segment, which has been one of the important drivers of the increased global demand for protein.

Therefore, for 2013 and 2014, Marfrig will devote its efforts on:

High added-value products and food service activities. Marfrig will continue to increase the share of processed products in its sales, such as: special meat cuts, cold cuts, sausages, frozen meals, canned foods, hamburgers, pasta, among others.

New opportunities by region and business division will continue to be pursued, by exploring markets not previously served, while consolidating the Company's position in the domestic markets where it operates.

Seara Brasil will focus on increasing its penetration in the Brazilian domestic market, by expanding its customer base and offering more prepared and processed products and increasing its exposure at the national level. Seara Brasil will mainly concentrate its efforts on:

• increasing its capacity and efficiency in reaching new customers and consumer markets by improving logistics efficiency (OTIF and Fill rates);

• investments in marketing, always aimed at strengthening brand value perception, especially Seara;

• increasing the number of points of sale and investing in product quality to obtain better prices and further boost consumer confidence and acceptance;

• developing the brands received in the exchange of assets to strengthen the position of Seara brand and increase market share in regions where Seara Brasil has a less significant presence; and

• investing in innovation in order to ensure the long-term success of the Seara brand, by taking maximum advantage of existing brands, creating new brands or product categories, or developing sub-brands, among other initiatives.

We must highlight that a significant portion of the revenues from this operation will continue to come from exports, which, starting in 2013, will focus on more profitable countries and higher-return products.

Moy Park, which focuses on the European domestic market, mainly the United Kingdom, will continue to expand its market share among major European supermarket chains, gradually increasing its processed and branded products in these chains and our presence in the food service segment.

Keystone will remain focused on global food service sector. This operation will maintain the global trend of growth in out-of-home food consumption. Our major customer continues to be McDonalds fast food chain , which accounts approximately 70% of the operation. This division will continue to follow the strategy of accompanying the growth of McDonalds, while also growing through other customers, such as YUM Brands, KFC, Campbell's, Subway, Chipotle, Wendy's, Burger King, and so forth. We have achieved good results in Asia, mainly in China, and believe that this region will be a great channel for the growth of Keystone Foods' operations.

OPERATING PERFORMANCE

In 2012, Seara Foods' consolidated operations produced 1.8 million tons of processed foods, up 7.6% from the previous year. In terms of bird slaughter volume, the amount of chicken produced at Keystone grew, mainly as a result of the joint venture set up in China in 2011.

In Brazil, slaughter volumes decreased due to the efforts to optimize our industrial park, seeking better efficiency and profitability gains in our operations, and to the reduction in Brazilian exports caused by the adverse scenario seen in certain regions (such as Japan and the Middle East) during the year of 2012.

The following table presents a breakdown of production by protein and division:

PRODUCTION (thousand tons)	2012	2011	Var. (%)
Processed Foods - Seara Brasil	473.0	365.7	29.3%
Processed Foods - Moy Park	191.4	183.3	4.4%
Processed Foods - Keystone	1,106.3	1,090.9	1.4%
Total Processed Foods	**1,770.7**	**1,639.9**	**8.0%**

SLAUGHTER (million heads)	2012	2011	Var. (%)
Chicken - Seara Brasil	622.0	643.3	-3.3%
Chicken - Moy Park	212.4	208.4	1.9%
Chicken - Keystone	201.7	183.6	9.9%
Total Chicken	**1,036.1**	**1,035.3**	**0.1%**
Total Pork	**3.2**	**2.7**	**16.8%**
Total Turkey	**6.8**	**6.1**	**11.6%**

INCOME STATEMENT - SEARA FOODS (R$million)	2012	2011	Var. (%)
NET OPERATING REVENUE	**15,974.3**	**13,366.6**	**19.5%**
Cost of goods sold	(14,094.0)	(11,718.4)	20.3%
GROSS INCOME	**1,880.3**	**1,648.2**	**14.1%**
Gross margin	*11.8%*	*12.3%*	*-60 bp*
SG&A expenses	**(1,627.8)**	**(1,390.7)**	**17.1%**
% of Gross Revenue	*-10.2%*	*-10.4%*	*20 bp*
OPERATING INCOME (EXPENSES)	**(1,620.9)**	**(1,229.6)**	**31.8%**
Selling	(1,202.2)	(973.8)	23.5%
Administrative and general	(425.6)	(416.9)	2.1%
Other operating income/expenses	7.0	161.0	-95.7%
EBITDA	**1,092.6**	**1,086.5**	**0.6%**
EBITDA MARGIN	***6.8%***	***8.1%***	***-130 bp***

Seara Brasil – Domestic Market

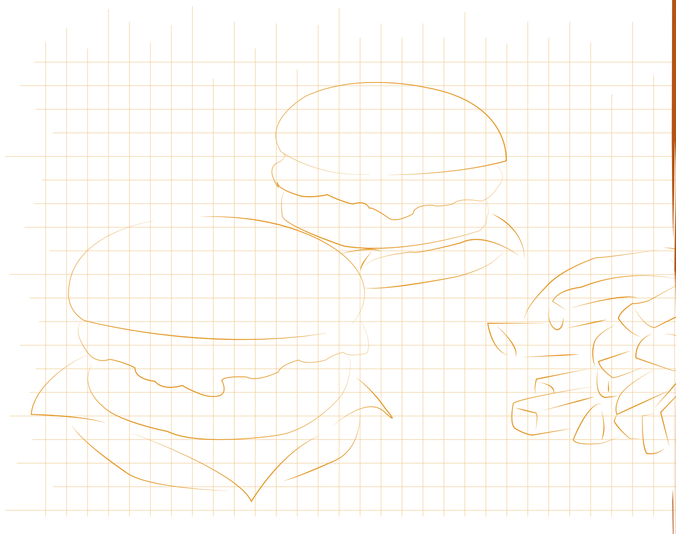
In the domestic market, net revenue increased by 56.9%, from R$2.12 billion in 2011 to R$3.32 billion in 2012. Management believes that this increase was due to: (i) the incorporation of the new assets into Seara Brasil's operation, driving a 32.9% increment in processed foods sales volume in the domestic market and (ii) the average price increase of 30.1% at Seara Brasil in the domestic market. The share of high-added value products in the net revenue reached 65% in 2012.

The strategy to strengthen the Seara brand in the Brazilian domestic market was further supported by the exchange of assets. Started in June, the merger of 10 new production units, 8 distribution centers and 12 new brands was the result of a careful planning process and meticulous studies that culminated in a highly organized and synergic integration process. The new plants significantly increased the capacity for producing processed food products, which account for approximately 90% of the total revenue from the assets received.

The new plants are still at their initial stage of adaptation and ended the year with an installed capacity well below their full potential. Increasing the capacity utilization is a gradual process that should still last for about 18 months, with the new plants only then fully contributing to generate added value for the division.

The sales team, hired to support the new brand and customer portfolio, successfully met the initial targets for registering and meeting the new customers. The efforts of the sales team, sustained by the addition of 650 new representatives, helped increase the number of Seara's customers in Brazil over the year, from 36,000 in January to more than 70,000 by the end of December.

This relevant expansion in the distribution network took place nationwide and focused mainly on the more profitable sales channels, like, for example, small- and mid-sized retailers, always seeking to constantly improve service quality, according to key industry indicators.

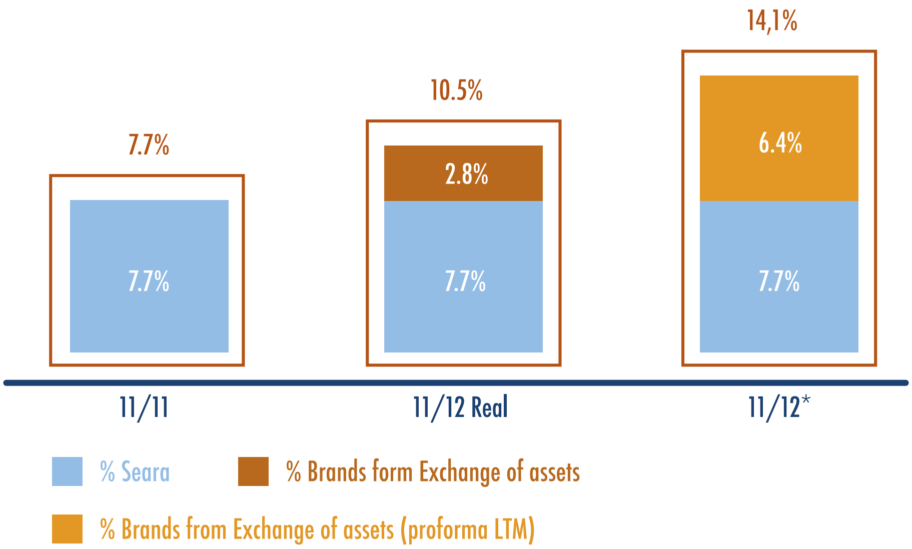


In addition to expanding the customer base, we have worked to reposition the prices of Seara products, seeking not only to passthrough the increase in grain costs, but also to narrow the price gap between Seara and the leading brand in the market. This strategy let to an increase of 19.6% in the average price of Seara's processed products in the Brazilian domestic market in 2012.

The effects from the introduction of the new brands, coupled with the sales team's efforts to expand Seara's customer base, have already shown substantial market share gains enjoyed by Seara in both the frozen meat category (processed products) and prepared meat category (cold cuts and sausages). Market share should still tend to expand over the next quarters, as the new assets operate closer to the utilization levels of Seara’s processed food plants.

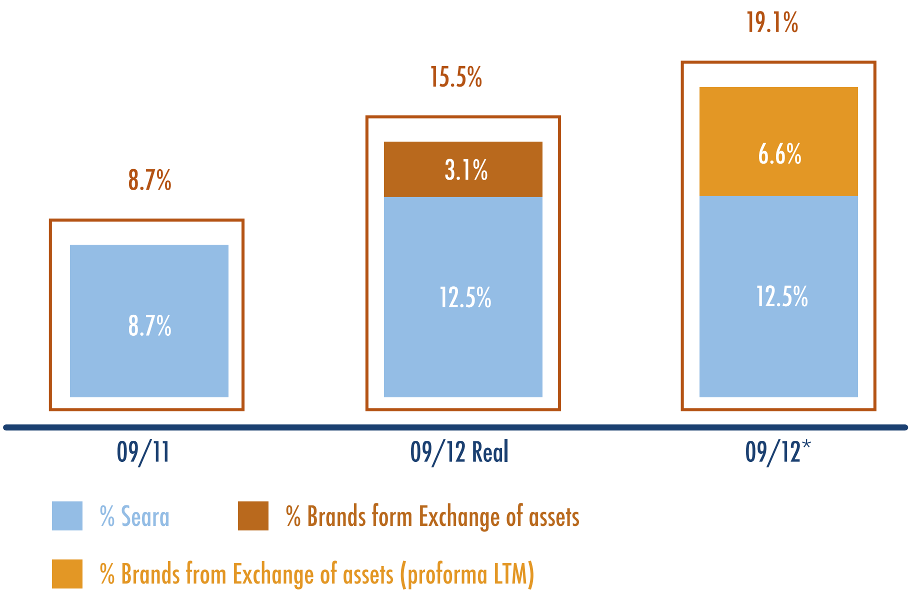
According to Nielsen's last reviews, Seara's current market share, together with the potential of the new acquired brands, is estimated at up to 14% in frozen meat and at 19% in processed meat products, as shown in the chart below:

Frozen Meat (Processed Products)[1]:



[1] Frozen Meat (Processed Products): meatball, hamburger, kibbe, ready-to-eat snacks, nuggets, ready-to-eat meals, stuffed products, breaded products, finger food, steak and pies.

Processed Meat Products* (Cold Cuts/Sausages)[2]:



[2] Processed Meat Products (Cold Cuts and Sausages): pressed meat, pressed ham, healthy cold cuts, coppa, sausages, mortadella, Parma ham, ham, salami, wiener and frankfurter.

*Brands from Exchange of assets (proforma LTM)

Seara Brasil – Exports

The international scenario for poultry and pork exports remained very challenging in 2012. Price recovery in key consumer markets, such as Japan and Europe, was more modest than expected, still well below the historic volume and price levels reached in 2011.

Excess inventories, coupled with the impact from the global economic crisis and regional political conflicts, had adverse effects and led to a drop of 7.0% in export volumes and 4.3% in export revenues at Seara Brasil compared to the previous year.

The effect was partially offset by the 14.3% devaluation of the Brazilian real against the US dollar, which led to a 2.9% increase in the average export price in Brazilian reais.

According to Brazil's Bureau of Foreign Trade (SECEX), Seara closed the year with an average 19.5% share of chicken export market, against 22.6% in 2011. The market share for pork was 14.3%, compared to 15.0% in 2011.

INTERNATIONAL OPERATIONS

The international operations delivered a solid performance, with a 20% organic growth at both Moy Park and Keystone Foods. Both operations showed consistent evolution, especially in prices of processed products sold in the domestic markets, and also benefited from a more favorable exchange translation of our revenues originated in foreign currencies.

In line with the strategy of concentrating efforts and funds to produce and market added-value processed foods, in April 2012, the Company completed the sale of the specialized logistics service business of Keystone Foods to The Martin-Brower Company, for the total amount of US$400 million.

Keystone Foods' solid performance was especially driven by the operations in Asia, where the Company increased sales of processed foods to the food service sector, and now serve approximately 2,600 restaurants in China, Hong Kong and Japan. This growth was also influenced by the ramp-up of the joint venture Keystone-Chinwhiz (60% Keystone - 40% Chinwhiz), set up to build a chicken production platform in the Chinese market, which closed 2012 with processing capacity of 200,000 birds/day, a volume equivalent to half of Keystone's needs in that country. Another partnership was closed in China with COFCO (45% Keystone – 55% COFCO) to explore business opportunities in food logistics and distribution services in the country by building 6 distribution centers, the first of which has already started operations since mid-2012.

At Moy Park, the fine sales performance in the domestic market has been sustained by the behavior of European consumers, who have prioritized meals at home, as well as by the advances related to the major events in the year, such as the Queen's Diamond Jubilee and the Olympic Games in London.

Its leading position in the UK market was strengthened by the difficulties faced by the entire chicken industry in Europe. This challenging environment, with economic stagnation in various countries in the region and strong pressures on production costs (grains), created unique opportunities for the company, since some regional competitors, which do not enjoy Moy Park's structure and value added, discontinued their operations, leading the Company to further strengthen its relations with major retail chains.

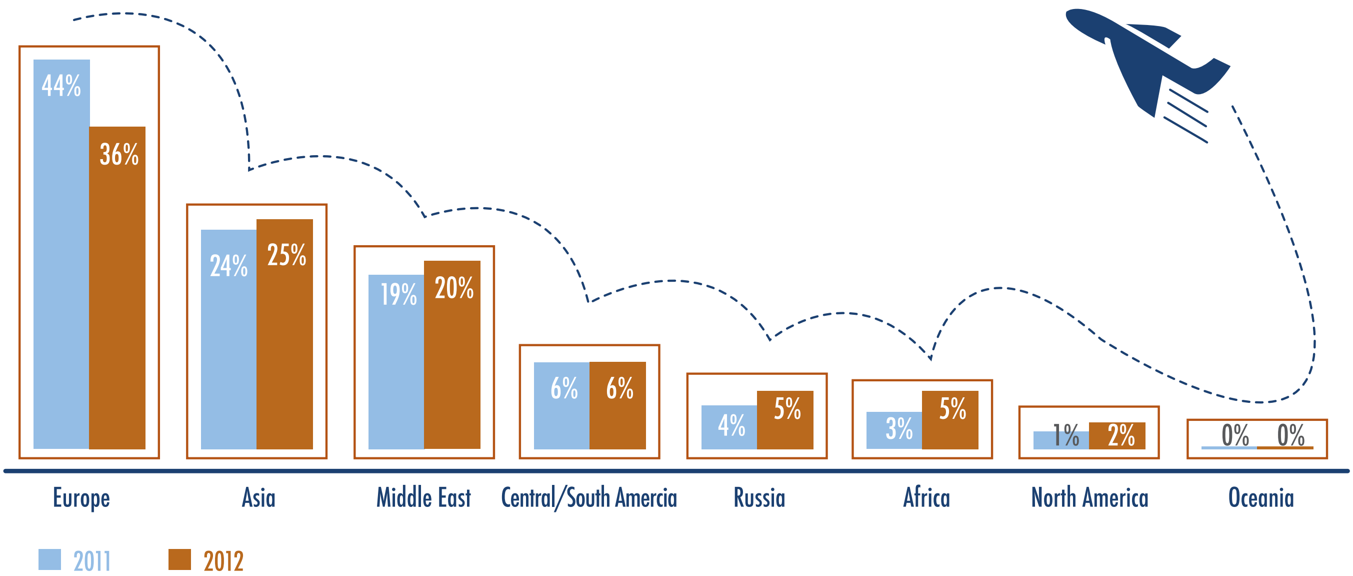
Also at Moy Park, the portfolio was expanded with the launch of two new categories of Seara brand products exclusive to the European market: sliced ham, chicken, turkey and roast beef and the "Seara Good to Go" line of snack products made 100% from cooked chicken breast. The market for meat-based snacks in the UK grows at approximately 5% per year and this new line of products represents a major opportunity to enter this segment.

In yet another effort to add more value to the products, in 2012, the Company launched the premium line of ready-to-eat meals made with organic chicken and signed by renowned British chef Jamie Oliver. The line was recognized with the seal "Good Chicken Award 2012" awarded by the farm animal welfare organization "Compassion in World Farming".

SEARA FOODS – CONSOLIDATED EXPORTS

Europe remained the main export destination of Seara Foods, with its share in the division's total exports decreasing to 36%, compared to 44% in 2011. Asia was the second most important destination, increasing its share to 25% from 24% in 2011, while the Middle East, the division's third most important export destination, increased its share from 19% to 20%.

Exports Breakdown – Seara Foods



3.2. Marfrig Beef

CONTEXT

The Marfrig Beef segment in Brazil enjoyed a favorable moment in 2012, during which it was able to increase the profitability of its operations by improving the management of its sales channels and optimizing its industrial park, adjusting slaughter capacity and utilization to the better phase of the cattle cycle in Brazil, in contrast to the situation in Uruguay.

Export growth was driven by the gradual recovery in consumption in important international markets, such as the Middle East and Chile, as well as by the low levels of global beef inventories. Exports also benefited from the appreciation of the U.S. dollar against the Brazilian real in the period.

In the international operations, the Company significantly reduced its exposure to the Argentinean market by exchanging the assets and brands of Quickfood for the assets and brands in Brazil.

Our presence in that country is now restricted to exporting premium cuts, where the Group holds an important share of the Hilton Quota, and to serving the needs of the domestic food service segment.

OPERATING PERFORMANCE

In 2012, Marfrig Beef's consolidated operations produced 1.2 million tons of processed food. Cattle slaughter volume decreased due to: (i) the temporary shutdown of nine units in 2011 (seven in Brazil, one in Uruguay and one in Argentina), three of which resumed operations in Brazil during 2012; (ii) the lower exposure of the operations in Argentina, due to the asset exchange transaction taken place in June 2012; and (iii) the adverse scenario in Uruguay, which continues to suffer from low cattle supply and high prices.

The following table presents a breakdown of production by protein and division:

PRODUCTION (thousand tons)	2012	2011	Var. (%)
Total Processed Food	1,167.5	1,379.1	-15.3%

SLAUGHTER (thousand heads)	2012	2011	Var. (%)
Cattle - Brazil	2,415.8	2,582.1	-6.4%
Cattle - Argentina and Uruguay	904.3	997.4	-9.3%
Total Cattle	**3,320.2**	**3,579.5**	**-7.2%**
Lamb - Brazil	101.5	118.5	-14.4%
Lamb – Uruguay/Chile	177.8	215.1	-17.3%
Total Lamb	**279.3**	**333.6**	**-16.3%**

INCOME STATEMENT - MARFRIG BEEF (R$million)	2012	2011	Var. (%)
NET OPERATING REVENUE	**7,752.1**	**7,647.5**	**1.4%**
Cost of goods sold	(6,073.2)	(6,313.9)	-3.8%
GROSS INCOME	**1,678.9**	**1,333.6**	**25.9%**
Gross margin	*21.7%*	*17.4%*	*430 bp*
SG&A expenses	(892.8)	(779.2)	14.6%
% of Gross Revenue	*-11.5%*	*-10.2%*	*130 bp*
OPERATING INCOME (EXPENSES)	***(776.7)***	***(771.6)***	***0.7%***
Selling	(534.7)	(511.6)	4.5%
Administrative and general	(358.1)	(267.7)	33.8%
Other operating income/expenses	116.2	7.7	n/a
EBITDA	**1,041.4**	**687.3**	**51.5%**
EBITDA MARGIN	**13.4%**	**9.0%**	**440 bp**

Marfrig Beef – Brazilian Domestic Market

In the domestic market, net revenue decreased by 4.2%, from R$3.47 billion in 2011 to R$3.33 billion in 2012. The reduction results from the 21.4% drop in domestic sales volume, mainly due to the weaker demand in the first few months of the year. In view of this scenario, Management opted to temporarily shut down 7 plants in 2011, in order to optimize the industrial park of Marfrig Beef, which adversely affected sales volume. During 2012, three of these seven plants temporarily closed were reopened, benefitting from the better scenario for beef consumption in both the domestic and export markets.

Despite the contraction in volumes sold domestically, Marfrig's broad penetration and expertise in the food service segment, with a strong presence in the states of São Paulo and Rio de Janeiro and in the country's South and Northeast regions, enabled the Brazilian operations to expand their margins from the prior year. The specialized and focused effort to develop standardized, flavorful and high-quality products has become an important competitive advantage in meeting the needs of major chains of restaurants, fast food restaurants and steakhouses, with a total of over 6,000 clients served in 2012.

To achieve this, the integration with Seara's distribution centers, together with the new distribution centers received under the asset exchange operation, will bring important gains in distribution by gradually expanding our distribution platform and the reach of our operations to the food service segment and small- and mid-sized retailers.

Marfrig is also pioneering the development in Brazil of an incentive program for the Angus breed, encouraging cattle farmers to disseminate the best and latest genetic techniques and production systems.

The Group also provides technical support and guarantees animal purchases, receiving in exchange the certainty that it will always buy cattle that meets exclusive standards in terms of type, age, traceability and, most importantly, that was raised in accordance with good practices.

Another important advantage of Marfrig is its pioneering work in developing a portfolio of high-value beef products backed by strong brands. The Bassi, Seara Angus, Seara Churrasco and Montana product lines are some examples of brands recognized by consumers for their high quality and exemplary tenderness, flavor and succulence, which has allowed the Company to add more value to its product and operate in more profitable sales channels.

Marfrig Beef – Brazilian Exports

In the export market, net revenue increased by 19.1%, from R$1.61 billion in 2011 to R$1.92 billion in 2012. In the opinion of Management, this increase was due to the higher volume of exports, taking advantage of the return of certain important destinations, such as Chile and the Middle East, and to the improvement in average prices in the period driven by the appreciation in the U.S. dollar against the Brazilian real.

Marfrig Beef – International Operations

In 2012, with the decrease in the size of our operations in Argentina resulting from the asset exchange transaction, we have reduced our operational scope to the niche market of exporting premium cuts, with high value added, and also sought to use our entire Hilton Quota. In the domestic market, we continued to serve the food service segment, while gradually introducing Seara brand processed products.

In Uruguay, despite the still-adverse scenario marked by a limited supply of cattle, the Company continues to take advantage of our leadership position and the country's sanitary status, which is authorized to export beef to the key consumer markets in the world.

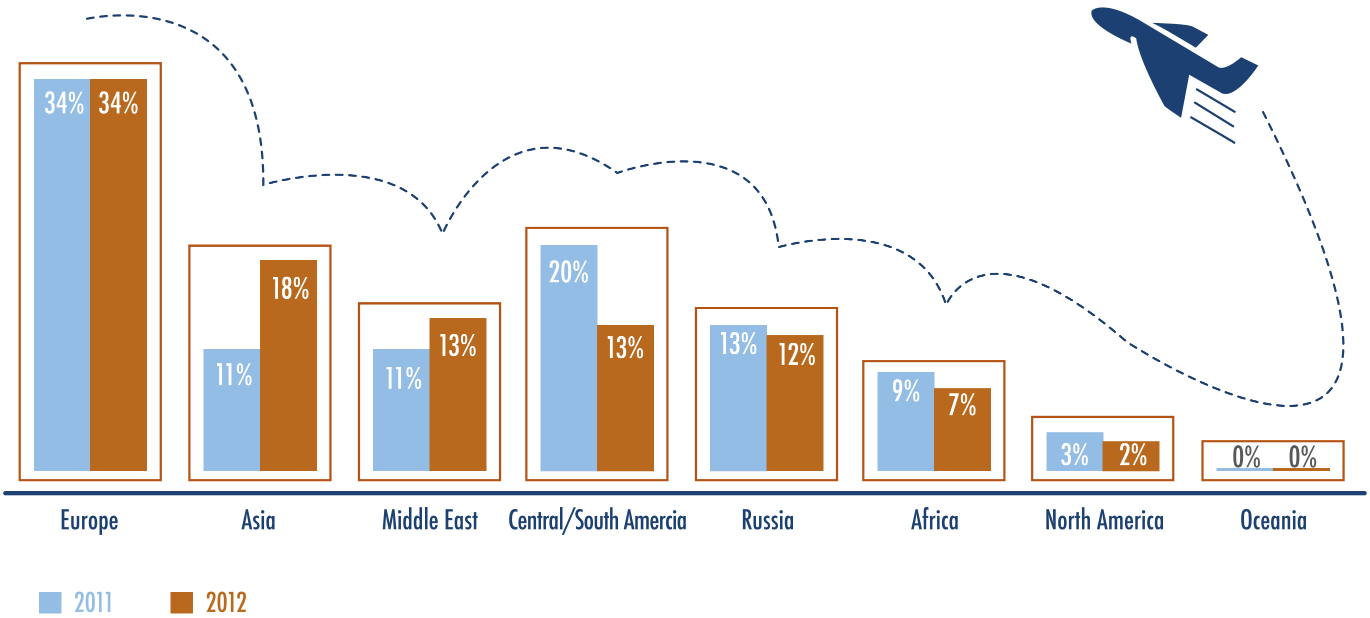
Moreover, as part of the strategy to diversify across various proteins and optimize the production platform, for the second consecutive year, our lamb slaughter plant located in Chile's Patagonian region have began producing and processing also fish, shellfish, King Crab and other seafood. The plant is qualified to export seafood to major and demanding markets, such as the United States, Europe and Asia, and is in the process of obtaining a license to export to Brazil.

In the leather segment, it is worth highlighting the growth in sales of Zenda, which joined the Research and Development team at BMW. A supplier to the brand since 1996, Zenda leathers have revolutionized the comfort, design and durability of car seating and is currently being used in all BMW models, from series 1 to X.

Marfrig Beef – Consolidated Exports

Europe remained the main export destination of Marfrig Beef, with a 43% share, remaining stable in relation to 2011. South America was the second most important destination (18%), followed by Asia (13%), with both markets increasing their share and offsetting the reduction in shipments to Russia that followed the restrictions imposed during the year.

Exports Breakdown – Marfrig Beef



4. Capital Markets

CAPITAL AND OWNERSHIP STRUCTURE

In December 2012, the Company carried out a public offering of 131,250,000 new issue of common shares , including the over-allotment of shares. Marfrig's subscribed and paid-in capital on December 31, 2012 totaled R$4.9 billion, represented by 476,997,405 common shares.

Subsequent to the offering, in January 2013, another 43,750,000 shares were converted by the Brazilian Development Bank (BNDES) related to the mandatorily convertible debentures. Following the conversion, the subscribed and paid-in capital totaled R$5.3 billion, represented by 520,747,405 common shares. The following table shows the ownership structure after the conclusion of the Public Offering and the adjusted position following the conversion of the additional 43,750,000 shares by the BNDES:

Shareholders	12/31/2012	% Interest	12/31/2012	Part.%
MMS Participações / Controlling Shareholders	183,963,653	38.57%	183,963,653	35.33%
Treasury Shares	690,704	0.14%	690,704	0.13%
Management	231,281	0.05%	231,281	0.04%
BNDESPAR	58,452,427	12.25%	102,202,427	19.63%
Other	233,659,340	48.99%	233,659,340	44.87%
Total	**476,997,405**	**100.00%**	**520,747,405**	**100.00%**

(*) Considering the over-allotment and the conversion of one-third of the mandatorily convertible debentures by the BNDES.

STOCK PERFORMANCE IN 2012

Marfrig's shares are traded under the ticker symbol MRFG3 on the New Market (Novo Mercado) segment of the Brazilian Stock Exchange (BM&FBovespa) and take part in the following stock indexes: IBOV, IBRA, IBXL, IBXX, ICO2, ICON, IGCT, IGCX, IGNM, INDX, ITAG, IVBX, SMLL.

On average, 4,600 trades involving 2.7 million of Marfrig's shares were carried out per trading session during 2012, which generated an average daily financial trading volume of R$27.6 million.

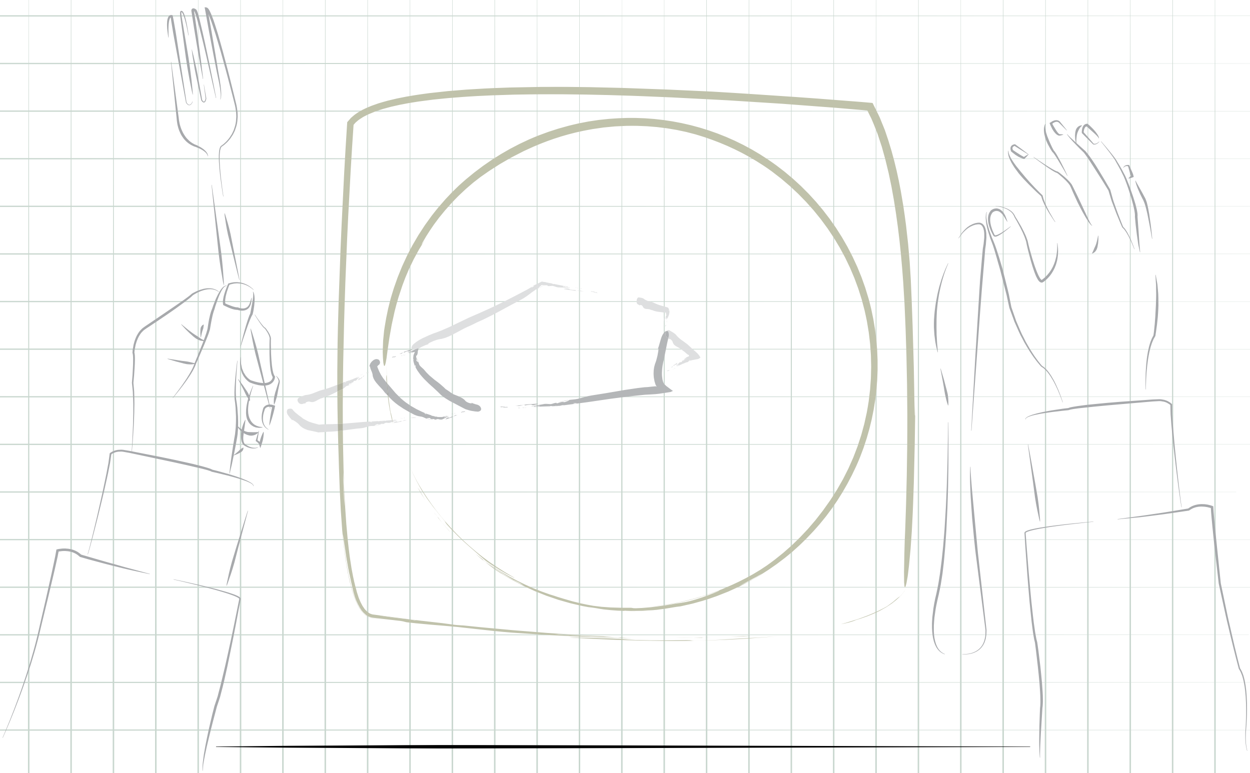
Marfrig's shares ended the year quoted at R$8.48, which is practically unchanged from the R$8.54 at the end of 2011.

Note that due to the dilution of shareholders as a result of the issue of shares carried out in December 2012, the Company's market value increased by 37.5%, closing 2012 at R$4.04 billion, compared to R$2.96 billion on December 31, 2011.

For the 3rd consecutive year, the Company was listed in the ICO_2 (Carbon Efficient Index), an indicator created by BM&FBOVESPA and BNDES, comprising the group of companies included in the IBrX-50 index that opted for participating in the initiative. In this manner, Marfrig demonstrates its commitment to managing its carbon emissions and to a low carbon economy.

GRI INDEX

GRI Indicators		Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
1. Strategy and Analysis						
1.1	Statement from the most senior decision-maker on sustainabilty matters of the organization	4 to 9	Complete			
1.2	Description of key impacts, risks, and opportunities	68 to 105	Complete			



	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
2. Organizational Profile						
2.1	Name of the organization	20	Complete			
2.2	Primary brands, products, and/or services	20 to 27	Complete			
2.3	Operational structure	20 to 27	Complete			
2.4	Location of organization's headquarters	20 to 27	Complete			
2.5	Number of countries where the organization operates	20	Complete			
2.6	Nature of ownership and legal form	S.A.	Complete			
2.7	Markets served	20 to 27	Complete			
2.8	Scale of the reporting organization	20 to 27	Complete			
2.9	Significant changes during the reporting period (2011) regarding size, structure, or ownership	42 to 47	Complete			
2.10	Awards received in the reporting period	28 to 29	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
3. Report Parameters						
3.1	Reporting period for information provided	10	Complete			
3.2	Date of most recent previous report	2011	Complete			
3.3	Reporting cycle	Annual	Complete			
3.4	Contact Information	170	Complete			
3.5	Process for defining report content	10 to 13	Complete			
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	10 to 13	Complete			
3.7	State any specific limitations on the scope or boundary of the report	10 to 13	Complete			
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	10 to 13	Complete			
3.9	Data measurement techniques	Economic and financial data are adequate to International Financial Reporting Standards (IFRS) and audited by KPMG, while other data were collected by teams form the Group, guided by GRI guidelines.	Complete			
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	There were no restatements of previously reported information	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
3. Report Parameters						
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	There were no significant changes	Complete			
3.12	Table identifying the location of the Standard Disclosures in the report	144	Complete			
3.13	External assurance for the report	The data of the report were not audited	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
4. Governance, Commitments and Engagement						
4.1	Governance structure of the organization	32 to 39	Complete			
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	32 to 39	Complete			
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	34 to 37	Complete			
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Shareholders can offer recommendations or directions to the Board of Directors at the Shareholders' Meetings (see chapter Corporate Governance). Regarding employees, Marfrig has no formal mechanisms for them to send recommendations and directions to the Board of Directors.	Complete			
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)	There is no relation between executive compensation and the company's social and environmental performance of the company	Complete			
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	32 to 39	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
4. Governance, Commitments and Engagement						
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	32 to 39	Complete			
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	16 and 17	Complete			
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	60 to 63	Complete			
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	There is no defined process for Board members' self-assessment	Complete			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	64 and 65	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
4. Governance, Commitments and Engagement						
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	71 and 72	Complete			
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic	71 and 72; 85 and 86	Complete			
4.14	List of stakeholder groups engaged by the organization	73 to 86	Complete			
4.15	Basis for identification and selection of stakeholders with whom to engage	73 to 86	Complete			
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	10 to 13	Complete			
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	10 to 13	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
5. Economic Performance						
Economic Performance						
EC1	Direct economic value generated and distributed	Financial Statements	Complete			
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	51 and 52; 100 to 103	Complete			
EC3	Coverage of the organization's defined benefit plan obligations.	The Company does not offer a pension plan benefit	Complete			
EC4	Significant financial assistance received from government		Not reported			
Market Presence						
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Thailand - 1.5 times higher United Kingdom, Uruguay and Argentina - 1.3 times higher Australia and France - 1.1 times higher United States, Malaysia and Brazil - the lowest amount paid is equivalent to the minimum wage In other areas in which the Company operates, including China and Korea the information does not apply, because there is no minimum wage stablished	Complete			
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Information not available	Not reported			
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Information not available	Not reported			

GRI Indicators		Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
5. Economic Performance						
Indirect Economic Impacts						
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	68 to 105	Complete			
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	73 to 86	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
6. Environment						
		Materials				
EN1	Materials used by weight or volume		Not reported		Information not available	2015
EN2	Percentage of materials used that are recycled input materials		Not reported		Information not available	2015
		Energy				
EN3	Direct energy consumption by primary energy source (direct use of energy on operartions)	89 to 91	Complete			
EN4	Indirect energy consumption by primary source	89 to 91	Complete			
EN5	Energy saved due to conservation and efficiency improvements	89 to 91	Complete			
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	89 to 91	Complete			
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	89 to 91	Complete			
		Water				
EN8	Total water withdrawal by source	92 to 94	Complete			
EN9	Water sources significantly affected by withdrawal of water	92 to 94	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
6. Environment						
EN10	Percentage and total volume of water recycled and reused	92 to 94	Complete			
Biodiversity						
EN13	Habitats protected or restored	94 to 98	Partial	Detailed information about specific locations	Information not available	2015
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	94 to 98	Complete			
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		Information not available	2015
Emissions, Effluents and Waste						
EN16	Total direct and indirect greenhouse gas emissions by weight	100 to 103	Complete			
EN17	Other relevant indirect greenhouse gas emissions by weight	100 to 103	Complete			
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	100 to 103	Complete			
EN19	Emissions of ozone-depleting substances by weight	100 to 103	Complete			
EN20	NOx, SOx, and other significant air emissions by type and weight	100 to 103	Complete			
EN21	Total water discharge by quality and destination	92 to 94	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
6. Environment						
EN22	Residue total weight by type and disposal method	92 to 94	Complete			
EN23	Total weight of waste by type and disposal method	In 2012 there were no significant spills	Complete			
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	104 to 105	Partial	Does not specify volume transported to each destination	Information not available	2015
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		Information not available	
Products and Services						
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	87 to 105	Complete			
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	In 2012 Marfrig began development of a reverse logistics program to minimize the impact of packaging waste of products. Since the program is still in development for further implementation, there is still no information on the volume of pacakages that will be retrieved	Partial	As the initiative is still in the planning stage, there is no percentage of recovered packaging yet	Information not available	2015

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
6. Environment						
		Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	In 2012 the Company was involved in 45 administrative and judicial claims related to the environment, which totaled R$2.7 million paid in fines or severance payments	Complete			
		Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	The transportation of products, materials and workers have greater impact on GHG emissions and is considered in the emissions inventory (see Chapter Emissions)	Complete			
		Overall				
EN30	Total environmental protection expenditures and investments by type	87 to 105	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
7. Social: Labor Practices and Decent Work						
		Employment				
LA1	Total workforce by employment type, employment contract, and region	76 to 81	Complete			
LA2	Total number and rate of employee turnover by age group, gender, and region	76 to 78	Complete			
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		Not reported		Information not available	2016
		Labor/Management Relations				
LA4	Percentage of employees covered by collective bargaining agreements	80	Complete			
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		Not reported		Information not available	2016
		Occupational Health and Safety				
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	100% of employees are represented on health and safety committees	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
7. Social: Labor Practices and Decent Work						
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	82 to 84	Partial	Information not specified by location	Information not available	2016
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	82 to 84	Complete			
LA9	Health and safety topics covered in formal agreements with trade unions	82 to 84	Complete			
Training and Education						
LA10	Average hours of training per year per employee by employee category	82 to 84	Partial	Presents only OSH training (OSH - occupational safety and health)		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Marfrig has no official program for continued employability and management of career endings	Complete			
LA12	Percentage of employees receiving regular performance and career development reviews	There is no formal and standardized mechanism for performance evaluation of the Group's employees	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
7. Social: Labor Practices and Decent Work						
Diversity and Equal Opportunity						
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		Not reported		Information not available	
LA14	Ratio of basic salary of men to women by employee category		Not reported		Information not available	

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in

8. Social: Human Rights

Investment and Procurement Practices

HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		Not reported		Information not available	2015
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		Not reported		Information not available	2015
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	There wer trainings in human rights and human aspects, in addition to the recycling of the Code of Ethics, totaling 19,867 hours and with an audience of 13,070 employees trained in 2012	Complete			

Non-discrimination

HR4	Total number of incidents of discrimination and actions taken		Not reported		Information not available	

Freedom of Association and Collective Bargaining

HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Marfrig guarantees employees the right of association and collective bargaining	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
8. Social: Human Rights						
Child Labor						
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Marfrig states in its code of ethics the commitment to respect labor laws and the eradication of child labor and it is sigantary of Ethos Institute Pact for the eradication of slavery and child labor	Complete			
Forced and Compulsory Labor						
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Marfrig states in its code of ethics the commitment to respect labor laws and the eradication of child labor and it is sigantary of Ethos Institute Pact for the eradication of slavery and child labor	Complete			
Security Practices						
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		Information not available	
Indigenous Rights						
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	There was no case of this type in 2012	Complete			

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
8. Social: Human Rights						
Evaluation						
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	The Company does not measure the % of operations submitted to evaluation and impacts related to human rights, but it has a code of ethics used as a guideline for the conduct of its employees, suppliers and partners in order to respect human rights in all operations	Complete			
Reparation						
HR11	Number of grievances related to human rights		Not reported		Information not available	

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
9. Social: Society Information about social management						
Community						
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	85 and 86	Complete			
Corruption						
SO2	Percentage and total number of business units analyzed for risks related to corruption		Not reported		Information not available	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	The Company's code of ethics stablishes expected conducts aimed to ensure the integrity and prevent corruption in its operations	Partial	Does not have information in % of employees trained	Information not available	2016
SO4	Actions taken in response to incidents of corruption	The Company's code of ethics stablishes expected conducts aimed to ensure the integrity and prevent corruption in its operations. The ethics committee evaluates complaints about attitudes or postures contrary to the Code and indicates measures to be taken	Complete			
Public Policy						
SO5	Public policy positions and participation in public policy development and lobbying	85 and 86	Complete			
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		Not reported			

GRI Indicators		Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
9. Social: Society Information about social management						
Anti-competitive Behavior						
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		Not reported			
Compliance						
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Financial Statements				

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
10. Social: Product Responsibility						
Customer Health and Safety						
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	100% of the products undergo assessment, as described in "Managing the quality and safety of the product"	Complete			
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		Not reported		Information not available	
Product and Service Labeling						
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Marfrig meets all legal requirements for food labeling in different regions where it operates	Complete			
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			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	74 and 75	Partial	Does not present research results	Information not available	2016

GRI Indicators		Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
10. Social: Product Responsibility						
Marketing Communications						
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Marfrig meets all legal requirements for marketing communications and advertising in all regions it operates	Complete			
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		Information not available	
Customer Privacy						
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	In 2012 there were no proven claims of breach of privacy and losses of customer data	Complete			
Compliance						
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		Not reported		Information not available	

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
11. Sector Indicators						
Purchases						
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	100% of Marfrig's purchases from suppliers across the Group complies with the Company's Purchase Policy. Examples of these policies and practices can be observed in the "Quality Management and Product Safety" chapter	Complete			
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	53 to 59	Partial	Does not present percentual of segregation by certification type	Information not available	2016
Labor/ Management Relations						
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country		Not reported		Information not available	
Healthy and Affordable Food						
FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	The Company does not have any structured program with this objective	Not reported			

GRI Indicators		Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
11. Sector Indicators						
Customer Health and Safety						
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	53 to 59	Partial	Does not link the percentage of produced volume to each certification	Information not available	2016
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars		Not reported		Information not available	
FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives		Not reported		Information not available	
Product and Service Labeling						
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements		Not reported		Information not available	

	GRI Indicators	Cross-reference (pg.) / Direct answer	Report	Information not reported	Reason for Omission	To be reported in
11. Sector Indicators						
Breeding and Genetics						
FP9	Percentage and total of animals raised and/or processed, by species and breed type		Not reported		Information not available	2016
Animal Husbandry						
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic		Not reported		Information not available	
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type. (how all animals of the company are raised)	53 to 59	Partial	Does not present segregation % of animals related to species and breed type		2016
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	98 and 99	Partial	Does not present segregation of species and breed type		2016
Transportation, Handling, and Slaughter						
FP13	Total number of incidents of non-compliance with laws and regulations, and adherencewith voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals		Not reported		Information not available	

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Marfrig Group** has presented its report "2012 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 G3.1 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 G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

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

Amsterdam, 10 September 2013

B
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

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 4 September 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

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